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EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,519

Thursday August 1 1991

D 8523A

AIRLINES
Business air travel surveyed
Section III

World News

Extradition ruled out for BCCI founder says Karachi

Agha Hasan Abedi, ailing founder of the Bank of Credit and Commerce International, will not be extradited to the US or any other country to face fraud and embezzlement charges, a government official in Karachi said.

The closure of BCCI's operations worldwide and Mr Abedi's indictment were engineered by the west and Israel, said Jam Sadiq, the highest elected official in southern Sindh Province, Pakistan's financial hub. Page 6; Editorial Comment, Page 10

Europe peace force call

An armed European peace force which could be used to separate the warring factions in Yugoslavia should be established by the nine-member Western European Union, Volker Rühe, the secretary-general of Germany's governing Christian Democrats, said. Page 12; Croatia to offer ethnic Serbs more autonomy, Page 2

Austria EC move

The European Commission said it would advise European Community governments to open talks with Austria on admitting it to the bloc. Page 12

Marcos ban lifted

The Philippines lifted its ban on exiled former first lady Imelda Marcos returning home but said she would be arrested when she did. The body of the late president Ferdinand Marcos will still not be allowed into the country. Page 4

Plea over asylum laws

Leading members of Germany's governing coalition and opposition parties called for urgent cross-party talks to tighten up the liberal laws on political asylum in the face of a new surge of illegal immigrants from eastern Europe. Page 2

Saddam reforms party

Iraq's president Saddam Hussein launched a broad restructuring of his ruling Ba'ath party in an effort to secure his power base. The reforms include holding party elections at all levels. Page 4

Campaign 'a hoax'

Homosexual activists who announced a campaign to expose prominent secret homosexuals in Britain said their threat had been a hoax to expose the hypocrisy of the British media.

Drought threatens India

India's growth prospects for the 1991-92 financial year, when sweeping economic reforms will be implemented, could be seriously affected by a drought in key states in the north. Page 4

Burma crackdown

Burma's military rulers have arrested 466 Moslems in a new crackdown on any signs of opposition, a Moslem source said. Page 4

Judge opposed

The leading US civil rights organisation, the National Association for the Advancement of Coloured People, opposed the appointment of Clarence Thomas to the US Supreme Court, calling him a "reactionary" and dealing a blow to the nomination of the black conservative judge. Page 3

Building occupied

Madagascar's opposition coalition stepped up pressure on President Didier Ratsiraka for political reform when its supporters occupied their eighth government ministry building in the capital. Page 4

Gypsies to be deported

Sweden will refuse asylum to about 1,000 gypsies who have fled ethnic violence in Poland, and has asked Poland to help stop others from fleeing.

Business Summary

US economy continues to show signs of recovery

THE US index of leading indicators rose 0.5 per cent in June – its fifth successive monthly increase – but new orders for factory goods were weaker than financial markets had expected, falling 1.4 per cent from May. The index was pushed up by a lengthening of the average working week as industry expanded production. Page 12

JAPAN will limit exports of cars to the European Community to 1.23m a year until 1999, thus freezing them at about present levels. Restrictions will end after that under an agreement between the EC and Japan's Trade and Industry Minister, Eiichi Nakao.

URUGUAY Round trade talks in Budapest are unlikely to finish this year, US officials fear, despite an offer from the European Commission to comply with a Gatt ruling against its oilseed subsidies. The talks hinge on farm subsidy reductions. Earlier report, Page 6

TRANS World Airlines' financial restructuring plan, which requires its chairman, Carl Icahn, to relinquish majority ownership, was welcomed on Wall Street. Page 14

BMW, German car maker, lifted first-half net profits by 8.2 per cent to DM381m ($218m). It expects turnover and earnings to be higher for the full year, in line with increased production and deliveries. Page 13

BANCO Di Napoli looks set to become Italy's first public-sector financial institution to privatise part of its capital. It is to raise between L400bn ($306m) and L450bn through the issue of 100m shares. Page 17

DOFASCO, Canada's biggest steelmaker, was hit hard by the recession in the second quarter, showing a loss of C$24.6m (US$21.5m) against a profit of C$27.7m a year earlier, on revenues of C$558m, against C$595m. Page 16

MULTI-FIBRE Arrangement, which governs world trade in textiles and clothing, has been extended until the end of 1992. It had been due to expire last night. Page 6

DRESDNER Bank said its partial operating profits rose 12 per cent to DM1.07bn ($611m) in the first half. These profits exclude trading on the bank's own account. Germany's Federal Cartel Office is to look at the competitive implications of the Allianz insurance group's 23 per cent stake in the bank. Page 13

GREEK Public Power Corporation (DEH) has signed a Dr20bn ($1046m contract with Asea Brown Boveri, Europe's largest electrical engineering group, to build a 132-megawatt power station on the island of Crete. Page 6

UNITECH, international electronic components maker, reports a fall in annual pre-tax profits from £26.2m ($44m) to £18.5m caused partly by the significant but unspecified cost of merging its two French connector companies. Page 19

LILLEY: Cubiertas and Entrecanales, leading Spanish civil engineering groups, are buying a 21.5 per cent stake in the Glasgow-based construction group. Lilley, for its part, is to invest £8.35m ($14m) in Cubiertas shares, giving it a 2 per cent interest. Page 19

COLUMBIA Gas System of Delaware, one of the largest natural gas transmission businesses in the US, filed for bankruptcy protection after heavy losses on long-term gas supply contracts. Page 13

HONG Kong invited tenders for the first major contract related to the colony's new airport plan, a 1,377m suspension bridge which will provide road and rail access to the new airport. Page 6

Pressure mounts on Israel as Moscow offers to restore relations

US and Soviets will co-sponsor Mideast talks

By Lionel Barber in Moscow, Victor Mallet in Jerusalem and Max Rodenbeck in Cairo

THE US and Soviet Union have agreed to co-sponsor a Middle East peace conference in October, a move which dramatically steps up pressure on Israel to agree to negotiations with its Arab neighbours.

US president George Bush, declaring that "an historic opportunity must not be lost", said in Moscow yesterday that Mr James Baker, US secretary of state, would return to Jerusalem today to seek a clear-cut response from Israel on participation in a regional conference which the two superpowers "are going to work to convene." The conference would be "designed to launch bilateral and multilateral negotiations".

The joint US-Soviet role in the Middle East underlines the growing co-operation between Washington and Moscow, a principal theme during summit talks between Mr Bush and President Mikhail Gorbachev which ended yesterday.

In a separate announcement aimed at enticing Israel to the negotiating table, Mr Alexander Bessmertnykh, Soviet foreign minister, said he would visit Jerusalem soon with a view to restoring diplomatic relations broken off in 1967 during the Seven-Day War.

All of Israel's Arab neighbours – including Egypt, Jordan, Syria and Lebanon – have accepted US proposals for a regional peace conference. But neither the Israeli government nor the Palestinians seemed prepared last night to waive their respective conditions for attending the proposed conference, and Mr Baker will find it difficult to break the deadlock.

Mr Baker's visit to Israel will be his sixth to the Middle East since the end of the Gulf war in an attempt to solve the Arab-Israeli dispute.

Before it agrees to attend a conference, Israel wants US assurances that the Palestinians will be represented jointly with Jordan and that their delegates will have no connections to the Palestine Liberation Organisation or to the Arab eastern side of Jerusalem over which Israel claims sovereignty.

Various compromises have been suggested but last night Mrs Hanan Ashrawi, one of the Palestinian leaders who has been holding talks with Mr Baker, again rejected the idea that Israel could choose its negotiating partners. "If they want us to accept that, then fine, we'll choose the Israeli negotiators," she said bitterly.

Pointing to the US refusal to recognise Israel's annexation of east Jerusalem, she questioned whether it would be possible for Mr Baker to give assurances to the Israelis that violated US policy.

However, an aide to Mr Yitzhak Shamir, the prime minister, said an Israeli yes would depend "on the answers we'll hear from the Americans, on things they'll hear from us". Mr Moshe Katzav, the transport minister, said it was up to the Arab countries and the Palestinians not to "create a situation that would make it impossible to convene the conference".

Mr Shimon Peres, leader of the opposition Labour party, said Israel should agree to the conference. "I don't see the point in delaying," he said.

The first visit to Egypt by Mr David Levy, the Israeli foreign minister, ended yesterday just before Mr Bush's announcement. Both sides expressed satisfaction with their three days of discussions.

Although the exact timing and location of the peace conference remain open, Mr Bush said the US and Soviet Union intended to issue invitations to all parties 10 days before the meeting convened.

Analysis, Page 3

President George Bush lays a wreath at the tomb of the unknown soldier in Moscow yesterday

Start treaty begins an 'irreversible process'

By John Lloyd in Moscow

THE Soviet and US leaders yesterday hailed the Strategic Arms Reduction Treaty, signed at the Moscow summit, as the culmination of a nine-year labour and as the harbinger, in Soviet president Mikhail Gorbachev's words, "of an irreversible process."

The treaty will reduce each side's strategic nuclear weapons by approximately 35 per cent over seven years.

Mr Gorbachev said there was "a growing realisation of the absurdity of over-armament now that the world has started to move towards an era of economic interdependence." President George Bush, more prosaically, referred to the need for effective monitoring mechanisms and said that "stabilising reductions in our strategic nuclear forces reduces the risk of war".

The two presidents largely concurred in their forecasts for future progress on arms reduction. Mr Bush rejected "ethereal, utopian concepts" in favour of practical steps, while Mr Gorbachev stressed there was "still a lot to do" and that the questions of arms reduction must be "put to the other members of the nuclear club."

The signing ceremony was the public symbol of a summit which has stressed, in form and largely in content, the determination of both sides to give substance to the much-advertised "new era of co-operation" between them.

Neither leader was specific on the content of their talks on the Soviet economy and on the assistance the west might render – talks which took up a large part of their hours together. Mr Bush said that the participation of the Soviet Union in the International Monetary Fund and the World Bank on the basis of the special status granted to it at the London summit of the Group of Seven "was the most important thing the Soviet Union could do right now".

Mr Gorbachev said that "London was the beginning of a very important process" – but again called for a scrapping of the Cocom restrictions on technology transfer, which he said cost "billions of dollars" in lost contracts and were a relic.

The two sides agreed a joint statement on the ethnic conflict in Yugoslavia, saying that the resolution to the fighting "should be found by the Yugoslavian peoples themselves on the basis of democratic principles and by means of peace negotiations and constructive dialogue".

The press conference was delayed for about three minutes while Mr Bush suffered running repairs to the earpiece through which he was to receive a translation of Mr Gorbachev's remarks – and had continuous trouble with it throughout. After Mr Gorbachev's opening statement, Mr Bush began his own by saying "What I heard of it, I liked".

The incident, played out in good humour, stood as an unplanned glimpse of what appeared a genuine warmth between the two men. Mr Gorbachev at one point said that their relationship was "not a question of platonic love" but of a "deep understanding that we need each other today and in the future."

Germans suggest peace patrols for Yugoslavia, Page 12

Lethal Iraq nerve gas plant uses British chemicals

By Clive Cookson in London

IRAQ has built a pilot plant to manufacture the most lethal nerve gas known, whose production uses chemicals exported from the UK in the two years before the Gulf war.

Ingredients which can be used to manufacture the nerve agent Vx, were among the exports approved by UK Customs and Excise.

Records submitted by the Department of Trade and Industry to a parliamentary committee last week show that £283,000 ($475,000) worth of two chemicals which are direct precursors (ingredients) of Vx were sold to Iraq during 1989 and 1990.

There is no direct evidence to suggest that precursors for Vx found their way to the pilot plant in the Muthanna State Establishment – camouflaged as the State Enterprise for Pesticide Production – 80km north-west of Baghdad.

However the discovery of the plant suggests that Baghdad possesses some of the world's most sophisticated technology for making nerve gases.

Although Iraq had apparently not started full-scale production of Vx, the United Nations investigative team which has just returned from Baghdad says that three other sophisticated nerve agents were being used in weapons production. They include so-called organophosphorus nerve agents – sarin (GB), hexacyclosarin (GF) and tabun (GA). A few milligrams of these can kill a human being.

The UN discovered 46,000 chemical weapons spread across 10 sites. As well as the nerve agents some weapons contained less sophisticated mustard gas.

The UN team described conditions at Muthanna as "hazardous in the extreme". Many buildings were destroyed by Allied bombing during the Gulf war, unexploded bombs are still lying around and chemical weapons are leaking – as a result both of the bombardment and of poor Iraqi production and maintenance standards.

Mr Johan Mollander, a Swedish member of the inspection team, described Muthanna as "the world's worst extensive toxic waste dump," adding: "The garlic smell of mustard gas was in the air."

The Gulf one year on, Page 5

Germany ready to accept two-speed monetary union

By David Buchan in Brussels

GERMANY HAS indicated its readiness to accept a two-speed move to monetary union by proposing that two separate European monetary institutions could co-exist until all 12 EC states are fit to adopt a common currency.

Bonn's proposal, made during discussions last month among officials on economic and monetary union (Emu) but which has just come to light, has drawn criticism from Mr Jacques Delors, the European Commission president, as well as Greece and Portugal.

However the Dutch presidency of the EC council of ministers, indicated yesterday that the idea would probably figure in a compromise paper to be put before EC finance ministers in late September.

Germany is suggesting that alongside the planned European central bank could exist a council of central bank governors – which the Dutch are already calling the European monetary institute – charged with the job of managing the parity link between the new Ecu, which would be the common currency of several EC states, and the existing national currencies of the weaker EC economies.

It would also help the latter group adapt their monetary instruments for eventually joining in Emu.

Mr Delors' fear is that there would be too few EC states to balance Germany in a "first-tier" Emu, which would therefore resemble a D-Mark bloc.

In an interview with the Financial Times, Mr Delors complained that, since the Luxembourg summit in late June, prospects for Emu had "got worse". He said "certain countries are losing patience and want a two-speed Emu". But several national delegations suggested yesterday that it was only common sense to cater in the forthcoming treaty for the likelihood that countries would enter Emu at varying speeds.

Despairing of the twelve's general lack of dynamism in the Emu negotiations, Mr Delors complained that finance ministers seemed "fed up with Europe" and this showed in the stress placed by most of them on strict economic convergence criteria for the final move to Emu. "If the transition is long, we will never have a single money," he said.

A long transition would have an effect on Britain's political will to join Emu. If the Spanish and the Portuguese, who had "crazy ideas" about getting special payments, and the Germans and the Dutch, who "might not be convinced" about the wisdom of Emu, "spin out the pretext for a long transition until the year 2002 or 2005, why then should the British make an effort?", Mr Delors asked.

It is hardly the first time that the Commission president has taken finance ministers to task for dragging their feet on Emu. But Mr Delors clearly feels they are departing dangerously far from the blueprint which his experts committee issued in 1989.

CONTENTS

Tripartite talks on Italy's economy show little progress

Employers, government and unions have been discussing how to improve Italy's competitiveness. Prime minister Giulio Andreotti has made the talks an issue of national pride, but so far there has been scant progress
Page 2

MARKETS

STERLING
New York lunchtime:
$1.682
London:
$1.685 (1.6805)
DM2.94 (2.9425)
FFr10.0 (10.0025)
SFr2.57 (2.5675)
Y231.5 (231.5)
£ index 90.9 (90.9)

GOLD
New York: Comex Aug
$363.7 (362.5)
London:
$363.00 (362.65)

N SEA OIL (Argus)
Brent Sep
$19.875 (19.525)

Chief price changes yesterday: Page 13

DOLLAR
New York lunchtime:
DM1.7475
FFr5.94
SFr1.5265
Y137.4
London:
DM1.745 (1.7505)
FFr5.935 (5.955)
SFr1.525 (1.5285)
Y137.35 (137.8)
$ index 66.8 (66.9)
Tokyo close: Y137.83

US LUNCHTIME RATES
Fed Funds: $5\frac{13}{16}$%
3-mo Treasury Bills: 5.681%
Long Bond: $97\frac{7}{16}$
yield: 8.352%

STOCK INDICES
FT-SE 100:
2,588.8 (−6.8)
FT Ordinary:
2,003.9 (−7.9)
FT-A All-Share:
1,235.89 (−0.2%)
New York lunchtime:
DJ Ind. Av.
3,016.55 (+0.23)
S&P Comp
386.7 (+0.01)
Tokyo: Nikkei
24,120.75 (+248.12)

LONDON MONEY
3-month interbank:
$11\frac{3}{32}$% ($11\frac{5}{32}$)
Liffe long gilt future:
Sep $92\frac{9}{32}$ ($92\frac{5}{32}$)

EUROPEAN NEWS

Croatia to offer ethnic Serbs more autonomy

By **Laura Silber** in Zagreb

THE Croatian government will unveil a new strategy today aimed at granting more autonomy to the republic's ethnic Serb minority, and will reshuffle the cabinet in a move designed to secure a broader base of popular support

However, Mr Milorad Pupovac, head of the opposition League of Social Democrats in Zagreb, said yesterday that "negotiations and the granting of autonomy is the only way to prevent a full-scale civil war, *but I fear it may be too little*, too late".

The plan, discussed among ministers earlier this week, envisages offering cultural and political autonomy to the ethnic Serbs. In exchange, they would agree to remain part of Croatia and would be expected to drop their demands that Serb-inhabited areas of Croatia should become part of the republic of Serbia.

The Serb minority make up 12 per cent of Croatia's 4.5m-strong population. Serbian rebels, centred in the self-proclaimed autonomous region of Krajina, have staged an armed uprising against Croatia's moves towards independence. More than 100 people have died in clashes over the past few months.

The change in strategy suggests that the Croatian leadership under Mr Franjo Tudjman *has opted for the politics of* negotiation instead of confrontation.

At the same time, the willingness to negotiate is intrinsically linked to Croatia's long-term goal of attaining a fully independent Croatian *state.*

Croat officials believe that the offer to give Serbs autonomy – although still tentative and subject to the reaction of the more nationalist elements in the ruling Croatian Democratic Union (HDZ) – is an attempt by the Croatian government to adhere to European Community standards on civil and human rights.

They believe that, in doing so, the government will gain more sympathy and support from the international community for Croatia's independence, *and that the* bloodshed and violence will be stemmed.

However, the government's attempts to negotiate – particularly with Serb nationalists from Knin who declared their autonomy from Croatia – may *radicalise the extreme right of* the HDZ, which refuses to make any concessions to Croatia's Serbs on the grounds that Croatia is the republic of the Croat nation.

It also remains uncertain if Mr Milan Babic, leader of Krajina's Serbs, will get the go-ahead from Serbia, under President Slobodan Milosevic, to negotiate such autonomy.

Indeed, it seems unlikely that Serbia would agree to negotiations which aimed at preventing the extension of Serbia's borders to include parts of Serbian-populated territories in Croatia.

Mr Babic, the prime minister of Krajina, has said he would only negotiate with *Croatia's* government to change borders and to join Krajina to Serbia.

Slovenia looks towards west for loans worth $1bn

SLOVENIA'S government is urgently seeking loans worth $1bn from western governments and commercial banks as part of its drive to orientate its industry *towards hard currency markets*, Mr Dusan Sasok, the republic's finance minister said yesterday, writes Judy Dempsey, East Europe correspondent.

If Slovenia obtains fresh loans, which are already being negotiated with Austrian, Italian and German banks, it will *allow the government in Ljubljana to* loosen further its economic ties with the rest of Yugoslavia. Mr Sasok said he hoped negotiations would be concluded by the end of August.

At the same time, Yugoslavia's National Bank is continuing to block the money *supply to Slovenia, despite last month's* Brioni peace accord which stipulated the lifting of all monetary flows imposed by the bank on Slovenia after its declaration of independence on June 25.

Mr Sasok said the bank's council which has representatives from the six republics and two provinces, was being "blocked by Serbia and its supporters. They continue to block any lifting of the suspension, despite instructions by Mr Ante Markovic, [federal prime minister], *to* end the ban".

The republic's share of the country's $14.6bn hard currency debt, he said, amounted to $1.7bn. Slovenia was also prepared to repay an extra $600m of the $3bn which had not been lent by the federal authorities to any specific republic.

Slovenia is also saddled with repaying to domestic savers $900m in hard currency deposited in Slovene banks in the republic. "Savers *throughout* Yugoslavia are owed $13bn. Savers have deposited $600m worth of savings in our [Slovene] banks, but in other republics. I do not think we will have to repay them because those republics spent the savings," he said. There is now a complete block on withdrawing hard currency savings from most banks in Yugoslavia.

Despite these financial commitments, Mr Sasok remains confident that the republic can retain a small hard currency trade surplus of between $100-$200m.

Inflation, now running at about 11 per cent a month, will close at an annual rate of 120-150 per cent. Mr Sasok also believes unemployment (out of a total labour force of 730,000) can be kept below 9 per cent.

Bonn prepares to stem the tide of immigrants

By **Quentin Peel** in Bonn and **Leslie Colitt** in Berlin

LEADING members of Germany's governing coalition and opposition parties have called for urgent cross-party talks to tighten up the country's liberal laws on political asylum, in the face of a new surge of illegal immigrants from eastern Europe.

Refugee camps in the east German states of Brandenburg and Saxony are already overflowing, and officials there fear an influx of up to 15,000 new asylum seekers, many of them Romanian gypsies, currently *camping near the* Polish border.

At the same time the pressure of asylum seekers is causing sharp divisions between the different German states, with Bremen and Bavaria cur*rently at loggerheads over* who should pay for their transport and accommodation.

Both Mr Björn Engholm, *leader of the Social* Democrats (SPD), and Mr Volker Rühe, secretary general of the Chris*tian Democrats (CDU), who is* number two in the party to Chancellor Helmut Kohl, have agreed on the need for cross-party talks to resolve what is a question of the country's fundamental constitution.

However, *both the* opposition SPD and the Free Democrats (FDP) in the ruling coalition are themselves deeply divided on the justification for tightening up the country's constitution, which gives more generous rights of political asylum than any other in the European Community.

Yugoslavia *and* Romania are the principal sources of the refugees, followed in recent months *by* Turkey, Iran, and Afghanistan.

Critics of the current law, including Mr Rühe, say the vast majority of the would-be asylum-seekers are actually economic, and not political, refugees. They argue that Germany should simply refuse to consider asylum for those coming from countries, such as Poland, where there is no longer any political repression.

Last year the numbers seeking asylum rose by 59 per cent to a record 193,000, and this year the figure is expected to top 200,000, adding to the pressures on housing and social security already caused by the big influx of ethnic German immigrants (397,000 last year).

So far this year, the German government had placed its hope in reaching a European Community agreement on limiting asylum rights, to overcome its own divisions. However Mr Rühe said yesterday that the situation was now too critical to wait for Brussels to act.

Plan for special Oder-Neisse zone

By **Leslie Colitt** in Potsdam

GERMANY and Poland plan to establish a special economic zone on both sides of their *Oder-Neisse border, which* could "internationalise" the once bitterly-contested area, according to Mr Manfred Stolpe, prime minister of the east German state of Brandenburg, which borders on Poland.

The plan *has* the support of Chancellor Helmut Kohl who, after signing a border treaty with Poland earlier this year, instructed Mr Jürgen Möllemann, the economics minister, to work out specific projects with Warsaw. *Senior German*, Polish and European Community officials are to meet in the autumn in Poland to finalise the plan.

The zone, which belonged to Germany until 1945, would stretch 50km into east Germany and 100km into Poland.

Mr Stolpe said the economic zone would be "similar" to the one in China near Hong Kong. But Mr Stolpe warned against it becoming a solely "German-Polish affair" in which the Germans would again dominate. "We would not be doing Poland a *good turn by this*," he said.

Polish officials, especially in the depressed border area, are said to be highly enthusiastic about the plan.

Mr Stolpe, a Social Democrat, strongly favours the eco*nomic zone, which Chancellor* Kohl, a Christian Democrat, said must help create a peaceful and prosperous German-Polish border region much like the once bitterly fought-over *German-French border area.*

Among the proposals under study in Bonn and Warsaw are a customs-free area for the Polish port of Szczecin (formerly Stettin) to allow it to serve the fast-expanding Berlin economy; the *Gorzow district of* Poland (close to Berlin) would be developed to supply food again to the German capital; and wood-processing factories could be established on the Polish side of the border. A *Polish group wants to sell* newly-built summer houses to Germans on the Pomeranian lakes.

A "bi-national" park is envisioned stretching across the lower Oder river, with German-built and operated hotels which would attract tourists.

But Mr Stolpe recently told Polish officials he believes that new border crossing points – the old ones are hopelessly overcrowded – are urgently needed, along with modern telephone links, if any of the projects are to succeed. It is difficult to telephone across *the border without* less than a 12 hour wait. Mr Stolpe also wants to restore pre-war ferry links across the Oder and Neisse rivers.

A key element of the zone would be a German-Polish *Investment Bank with a capi*talisation of DM500m, 70 per cent of it German.

Brittan sees opportunity in battery merger

By **Andrew Hill** in Brussels

THE European Commission's clearance of the merger between Robert Bosch and Varta of Germany should help break down barriers in the European market for replacement car batteries, according to Sir Leon Brittan, the competition commissioner.

Sir Leon yesterday sanctioned the creation of an enlarged German battery group to rival that formed earlier this year when the Commission approved a merger between the battery operations of Fiat of Italy and France's Alcatel-Alsthom.

Each company will command about 25 per cent of the EC market for replacement car batteries, which is still divided along national lines.

"By allowing the creation of large-scale [battery] companies which can operate across borders, in fierce competition with other big players, we may help push down the barriers to a single market," he said.

Fiat and Varta have both had to submit to stringent conditions in order to win Commission approval for their deals. Varta, controlled by the wealthy Quandt family, will have to end a comprehensive licensing agreement with Deta/Mareg – a smaller rival controlled by another branch of the Quandt family – by 1994, and end overlapping membership of the supervisory board of the two groups.

Sir Leon hinted that the deal would probably have been blocked had Fiat not set up in the German market itself by buying one of Varta/Bosch's smaller competitors earlier this year. The presence of an international player would help offset the effect of Varta/Bosch's 44 per cent market share, he said.

Italy's tripartite talks: all talking and no action

Haig Simonian reports *on the failure of unions*, employers and government to agree what needs to be done to tackle declining competitiveness

REFORMING *Italy's* wage bargaining system and the *scala mobile* pay structure which partly links salaries to inflation was never going to be easy. Revising social security contributions and cracking down on tax evasion as well has made an already tough task virtually impossible.

However, that was the scope of the tripartite talks between unions, employers and government representatives which adjourned earlier this week for a summer break after one and a half, largely fruitless, months of discussion.

Although all sides agree action is needed to tackle *Italy's declining competitive*ness, it was clear from the start that getting minds to meet on how that should be done would be a tricky task.

Competitiveness has become a more acute problem since the lira joined the narrow band of the European monetary system *last year, reducing the* government's ability to tackle relatively high inflation and output costs by currency depreciations.

Demonstrating Italy's ability to keep up with its European partners in moving towards economic and monetary union has also turned into an issue of national pride. Entertaining Mr Jacques Delors, the Commission president, in Rome earlier this week, Mr Giulio Andreotti, Italy's prime minister, pointed to the talks as a sign of his country's determination to play a full part in EMU.

However, while no one doubts the good intentions behind the talks, the results so *far have* been extremely *thin.* That may have been inevitable given their scope: just getting all the participants to the negotiating table meant expanding them into a huge discussion of virtually every aspect of pay and fiscal policy.

Big business, represented by the Confindustria employers' federation, has focused on the *scala mobile. Although the link* between wage rises and inflation has been watered down steadily over the years, many businessmen see the it as the single biggest cause behind Italy's relatively high output *costs.*

The country's burdensome social security payments, which are among Europe's highest, are their second target. According to figures from the Nomisma research institute, the country ranks second only to France in the impact of non-pay factors in the total wage bill. Based on a gross *wage of 100, total labour costs* amount to 144.8 in France, 143.5 in Italy and just 118.1 in the UK.

While leading trade union representatives, like Mr Sergio d'Antoni, the recently-elected head of the CISL trade union federation, have been willing to accept a further loosening in the *scala mobile*, their price *appears to* be *an extension of* the national pay bargaining system to cover smaller companies, which are currently exempt.

Moreover, the unions are unwilling to give up the *scala mobile entirely. In the absence* of a minimum wage, the country's three union federations say the system protects both their own 9m members and the 6m-7m non-union employees who have no other form of *guaranteed wage rises.*

The three groups, which have reached an unprecedented level of agreement ahead of the tripartite talks, have learned from experience. Past differences both between *and within the union confeder*ation have weakened their position towards Confindustria's onslaught on wage indexation.

Tax evasion has been the second item on the unions' *agenda. According to Mr Bruno* Trentin, secretary-general of CGIL, Italy's biggest union group, the government must tighten up the hundreds of special fiscal benefits to certain groups. Cracking down on tax dodgers and widening the tax base is also an obvious way to generate extra revenue income to pay for social services and reduce the cost burden.

After more than six weeks of discussions, both unions and employers are now largely blaming the government for the lack of progress. According to employers' representatives, the government has paid lip service to the need to reform social security payments while proposing legislation which will raise industry's costs.

Meanwhile, the unions have criticised the authorities for being too vague on economic policy in general and failing to take a position on key issues in the talks.

But with general elections due sometime before next June, the government's room for manoeuvre is limited. Increasing fiscal revenues by introducing new direct or indirect *taxes could cost votes*, as could a crack-down on tax privileges.

The discussions have not been a complete waste of time, however. Problems have been aired, and participants now have *a clearer idea of each oth*ers' bargaining positions. But optimists who claimed matters could be settled in just six *weeks have revised their opin*ions.

The chances of the differences being bridged when the talks resume in September look slim. But the prospect of more limited agreements on *key issues, such as the scala mobile* and pay bargaining, are more probable, while other elements such as tax evasion could probably be fudged.

Ministers are already trying to put a brave face on the talks. Closing the first round earlier this week, Mr Claudio Martelli, the deputy prime minister, pointed to some progress, *notably on reforming public*-sector pay.

Negotiators will now be hoping that the holiday spirit, with *four* good weeks of sea or mountain air as part of the traditional summer *villeggiatura, will encourage participants to* take a brisker pace at the negotiating table when discussions resume in September.

ITALY'S COMPETITIVENESS: UNIT LABOUR COSTS*

	US	Germany	France	UK	Italy
1982	118.2	94.4	95.2	98.3	101.9
1983	118.3	95.1	94.4	87.0	108.7
1984	124.9	93.9	96.0	83.4	107.2
1985	127.4	92.8	99.6	83.3	104.8
1986	100.8	98.4	98.2	77.9	107.8
1987	88.1	109.2	97.8	75.3	106.6
1988	82.6	108.3	95.1	80.1	105.2
1989	85.1	106.3	92.2	79.9	111.8
1990	79.4	110.6	97.8	81.9	117.3

*Adjusted for real exchange rates and inflation. Source: Bank of Italy

The streets of central Rome were jammed with yellow taxis yesterday as hundreds of drivers gathered to protest against government plans to scrap their tax breaks next year.

Schlesinger sworn in at Bundesbank

By **David Goodhart** in Bonn

MR Helmut Schlesinger was yesterday formally sworn in as the fifth president of the Bundesbank since the organisation was established in 1957. The 66-year-old's term of office will *last from today until* September 30 1993 when he will be replaced by his current deputy Mr Hans Tietmeyer.

At a small ceremony in Bonn, which was not attended by the outgoing President, Mr Karl Otto Pöhl, *who is on holi*day in Portugal, Mr Schlesinger said it was a difficult moment in the unity process to be *taking* office. Regarded as an even more hard-line anti-inflation fighter than his predecessor, he was once accused by a US treasury secretary of "looking for signs of inflation under every pebble."

Mr Manfred Carstens, *state* secretary in the Finance Ministry, said at the ceremony that state spending in 1991 – planned to be DM410bn, a 7.9 per cent increase on 1990 – would actually be less than expected. The cause of the shortfall is the administrative bottleneck in east Germany which has made it impossible to spend as planned. It is not clear whether this shortfall will require a reduction in planned new borrowing *of* DM66.4bn by the Bonn government in 1991.

● The Institute of German Business (IW) said yesterday that monetary stability was in danger in Germany and that *the inflation rate will* reach 4.75 per cent by the end of the year. The average inflation rate for 1991 will be 3.5 per cent.

Flouting of EC law by member states increases

By **David Gardner** in Brussels

INFRACTIONS of EC law by member states increased sharply last year, though the *rise is* largely explained by a Brussels crackdown on late or sloppy implementation of EC directives.

The worst areas of non-compliance remain environment policy, single market and agriculture legislation, *prompting* Mr Carlo Ripa di Meana, EC enviroment commissioner, to call for a new inspectorate to ensure the Community's "green" laws are not flouted.

The number of letters sent by the Commission warning of proceedings increased to 960 last year against 704 in 1989. However, 616 of these were for failures to put directives on national statute books or inadequate translation into national law, against 352 cases in 1989, accounting for nearly all the increase.

These cases gave rise to 251 formal proceedings – against 199 in 1989 – but the number of infractions ending in the European Court fell from 108 to 77. This suggests, some Commission officials said, that the Brussels campaign is having an effect.

Environment officials were less sanguine. One said that a system in which "the member state is both the accused and the supplier of all the evidence" had led to a situation where even when directives were formally implemented many of their dispositions were not actually applied.

Brussels relies essentially on member states' responses to its inquiries and complaints from the public to monitor compliance with EC law.

Aides to Mr Ripa yesterday suggested that a new inspectorate might come under the European Environment Agency, *the setting up of* which has been delayed by France's insistence that Strasbourg be confirmed simultaneously as permanent home to the European Parliament.

Other areas of non-compliance ranged from Germany's failure to implement EC law on the publishing of company accounts to France, Spain and Italy's recalcitrance in recognising educational qualifications held by citizens from partner states.

Portugal, Greece, Spain and Italy are the worst offenders in the number of warning letters received, while Italy is by far *the most frequent habitue of* the Luxembourg Court, accounting for 24 out of last year's 77 prosecutions.

The UK was the subject of the most complaints about the environment: 125 out of 480, against 111 against Spain. These were most often about the quality of water, and reflect, Commission officials say, more active identification by *EC citizens* with the Community's aims.

The UK's place at the head of this particular league table may also reflect its "busybody" culture, particularly since a number of the complaints *about Spain* were brought by British citizens living there.

Greek budget crisis hits war pensions

THE Greek government, facing a budget crisis, is to halt payment of pensions to more than 70,000 veterans of Second World War resistance groups, under a plan to curb public spending, writes Kerin Hope in Athens.

The measure will mean a saving of Dr16bn ($80m) for the deficit-plagued state pension fund, according to finance ministry officials.

Mr Constantine Mitsotakis, the *conservative* prime minister, said that austerity measures were needed because the public sector deficit had exceeded forecasts.

The resistance veterans were granted pensions by a socialist government in the mid-1980s. The conservatives say that most are retired farmers who already receive pensions from an agricultural welfare fund.

Satellite broadcasters compel Brussels to delay HDTV plans

By ***Michael Skapinker*** *in London and* ***Andrew Hill*** *in Brussels*

STRONG opposition from satellite broadcasters has forced the European Commission to postpone plans to draw up a new system for high definition *television (HDTV).*

Mr Filippo Maria Pandolfi, the research commissioner, had set this Friday as a deadline for broadcasters and electronic equipment manufacturers to agree to a legally *binding* memorandum of understanding on HDTV. The meeting between the Commission and industry representatives scheduled for Friday has now been cancelled. The Commission is now unlikely to be able to resume negotiations on HDTV before September.

Thomson of France and Philips of the Netherlands, Europe's two largest consumer electronics companies, have been pressing Mr Pandolfi to introduce a new satellite broadcasting directive to encourage the use of the *D2-Mac standard. The standard is* Philips' and Thomson's answer to Japan's high definition system.

Broadcasters have said that compulsory use of the D2-Mac system would raise the cost of receiving equipment and stunt growth of the satellite television market.

Broadcasters say that, at a meeting in Brussels on Tuesday, Mr Pandolfi said that if companies did not feel ready to sign a *binding* memorandum of understanding they could sign a statement of principle which would not be legally binding.

He is reported to have told the broadcasters that he was considering making it mandatory for all new satellite services to be transmitted in D2-Mac while continuing to use the current non-*HDTV* standard. He suggested that existing satellite broadcasters could be given two years to begin broadcasting in both standards.

Broadcasters say he told them the Commission might be prepared to bear the full additional cost of broadcasting in D2-Mac. *The Commission has* already said it is prepared to contribute Ecu500m (£349m) to subsidise D2-Mac broadcasts. The companies say, however, that the total cost of broadcasting simultaneously in both the *new* and *old standard* would be considerably higher than that.

The Financial Times (Europe) Ltd Published by The Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1991.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No. 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

THE MOSCOW SUMMIT

Treaty marks historic end to the old agenda

By Lionel Barber in Washington

THE Strategic Arms Reduction Treaty (Start) signed in Moscow yesterday actually reduces US and Soviet strategic nuclear arsenals, in contrast with the 1972 SALT 1 treaty, which only limited the growth of each side's long-range missiles.

The treaty will reduce each side's strategic nuclear weapons by approximately 35 per cent over seven years. It still leaves the US and Soviet Union with 9,000 and 7,000 warheads repectively, and it does not seek limits on the most dangerous category of ground-based mobile multiple warhead missiles nor sea-launched cruise missiles.

The question confronting the US and Soviet Union is: what comes next? Judging from remarks made during the signing ceremony in Saint Vladimir's Hall by the two leaders, there is no clear consensus on arms control priorities.

Mr Bush described the Start treaty as "a significant step forward in dispelling half a century of mistrust". He focused on the treaty's monitoring procedures which, he said, should translate "commitments made into real security".

Mr Gorbachev said the treaty signalled "the beginning of voluntary reductions in US and Soviet arsenals" which would dismantle the infrastructure of fear. Strategic arms control was acquiring a momentum which was hard to stop, he said.

The big difference here is that while Mr Bush is concentrating on the present, Mr Gorbachev has his eye on the future. This goes beyond the Soviet leader's natural political interest in strategic arms control which underscores the Soviet Union's superpower status. His agenda is clear: future US-Soviet agreements on tactical nuclear weapons in Europe, naval forces, chemical weapons and space-based weapons.

As Mr Alexander Bessmertnykh, Soviet foreign minister, said this week: "The business is not finished. We believe we should immediately go into negotiations on further reductions of strategic armaments for creating a situation of stability."

Mr Bush endorses the principle of further reductions in nuclear weapons, but he clearly favours a more leisurely pace. No new proposals on strategic arms are expected until the autumn, according to the White House.

As Mr Bush made clear during the joint press conference yesterday afternoon, the US remains committed to developing a ground-based defence against nuclear attack. This system is not nearly as ambitious as the space-based missile defence envisaged by President Ronald Reagan, popularly known as "Star Wars". Instead global protection against limited strikes (GPALS), which calls for ground-based anti-ballistic missile launchers at up to seven sites, supported by space-based sensors, is aimed at protecting the US against an accidental nuclear launch.

Both leaders indicated yesterday that they are focusing on nuclear proliferation as much as nuclear weapons stockpiles. Iraq's secret nuclear programme has acted as a catalyst, strengthening the view that nuclear arms control is no longer the preserve of the US and the Soviet Union. In this respect, General Brent Scowcroft, Mr Bush's national security adviser, was correct when he observed that the Start treaty, although historically significant, belongs to the old agenda.

Ukraine hails symbolism of visit

By Chrystia Freeland in Kiev

IF Mr Bush needed any confirmation that the US is the sole superpower he will receive it when he visits Kiev today, in the last leg of his trip to the Soviet Union.

President Gorbachev had to dodge parliamentary protests and Lenin volumes lobbed by angry demonstrators when he came to the Ukrainian capital last month. But Mr Bush is likely to see student activists merrily waving Ukrainian and American flags, and to be told of the western Ukrainian cities which have taken to renaming their streets after George Washington.

Ukrainians are delighted by the US president's decision to meet their leaders privately, address their parliament and tour their city, hailing it as an implicit acknowledgement of their growing independence and a first step to direct US-Ukrainian relations.

"I think President Bush's visit has an extraordinarily great significance," says Mr Ivan Pliushch, deputy head of the Ukrainian parliament. "The visit shows, intentionally or not, that President Bush acknowledges the objective development of democratic forces, of the national rebirth and of the Ukrainian people's struggle for independence."

The State Department would certainly not interpret the trip in such terms, but Mr Bush's decision to make a stopover in Kiev unaccompanied by Mr Gorbachev, together with his tête-à-tête with Russian President Boris Yeltsin in Moscow, suggests the White House is edging away from its policy of basing US-Soviet relations entirely on Mr Gorbachev.

The Ukraine's uniquely ambivalent position on the Union Treaty – it has neither rejected nor endorsed the deal – may make it particularly attractive to a White House which is also sending mixed messages.

Ukrainians hope Mr Bush will be receptive towards proposals to expand direct economic ties which were initiated this spring when $5m (£2.9m) of US assistance to Chernobyl victims was channelled directly through the republican government.

President Bush laughs at a witticism made by President Gorbachev at a joint news conference in Moscow yesterday

Bush tells entrepreneurs of the 'American dream'

Hard times for Soviet business

By John Lloyd in Moscow

PRESIDENT George Bush had a power breakfast yesterday in Moscow with the Soviet Union's top private business leaders. Even in the present day anti-Soviet dis-Union, this is a slightly surreal event: the president, however, clearly enjoyed it hugely.

"As entrepreneurs, businessmen and risk takers, you hold the key to the future prosperity of the Soviet Union," he began. "You understand that opportunity arises when people act freely... No conclave of government experts, no matter how brilliant, can match the sheer ingenuity of the market... Some call it the American dream, but really it is the universal dream, and it is a dream that the Soviet people are striving to make real for themselves."

Mr Bush used the word "striving" advisedly. For Soviet businessmen (and some women, especially in professions such as the law, where they are strongly represented), making the dream real is often to enter the coils of a nightmare, compounded by official bureaucracy, public distaste and personal inexperience.

As Mr Bush was talking, Mr Vladimir Koskov, entrepreneur, businessman and risk-taker of Sverdlovsk, was striving to salvage his business from the clutches of the local KGB.

> This month he received a letter from the KGB asking to see his accounts

Mr Koskov, who had worked in the military industrial sector in Sverdlovsk, has over the past two years built up his own business, SA Ural, from scratch. It employs 3,000 people and has a turnover of Rbs300m a year. This month, he received a letter from the KGB asking to examine his accounts: he now fears that an investigation may close him down.

Also as the president spoke early yesterday, Muscovites were enjoying a rare, if small, break from spiralling prices: Metro rides were free. A company named MMM, calling itself the Soviet Union's largest maker of computers and electronic office equipment, had paid for the day's fares in exchange for the right to advertise its name and products on station loudspeakers.

Yet, when a reporter from Izvestia called the company to discover who had conceived the unprecedented stunt, he could get no names – because the executives feared an adverse reaction to them from the public.

Two years ago, Mr Vladimir Zaitsev, director of the Polet aerospace plant in Omsk, was told to convert around half of his mainly defence-related output to civilian production, and to sell it "on the market". As he recounted the story in yesterday's edition of Pravda: "Unnecessary haste was built into the plan. There were no elements of the market in the Defence Ministry. The state assigned us the inputs and took all of our production."

But success can come. Mr Zaitsev's struggle with the market became easier when he cut himself free of the Defence Ministry, went into a joint venture with the French company Thomson and began producing household appliances and other goods for the Soviet and foreign markets. He believes he can get up to world standard in a few years, and now calls on the government to free industry from its orders.

"Your task will be difficult," Mr Bush said yesterday. You can say that again, would be a collective response. For not only do the Soviet entrepreneurs share their western colleagues' risk of business failure, they have their own, rather higher, risks of success.

Border killings cast shadow

By Leyla Boulton and John Lloyd in Moscow

THE MURDER of six Lithuanian border officials yesterday cast a shadow over the superpower summit amid speculation the violence was an attempt to discredit President Mikhail Gorbachev and hurt US-Soviet relations.

Mr Gorbachev, who was informed of the killings during his talks with President George Bush, said he would closely monitor an investigation and expressed his condolences to the victims' families.

He also said that "some people" were intent on destroying a dialogue he was holding with the Baltic republics, which are seeking independence from Moscow but are sceptical about the Kremlin's promises of a political settlement.

But Mr Bush, who on Tuesday tied freedom for the three Baltic republics with US aid for the Soviet Union, went out of his way to show support for his Soviet host. "It's not fair to take this – a border incident – under the heading of "freedom for the Baltics," he told a joint news conference.

The bodies of the two customs officers and four policemen were discovered at a makeshift customs post at Medininkai, on Lithuania's border with Byelorussia, at dawn on Wednesday. A seventh man later died in hospital. Surgeons were fighting to save the life of an eighth victim, who if he survives, will be the only witness to what police described as a particularly cruel attack. Many of the victims were shot in the head at point-blank range.

Mr Vytautas Landsbergis, the Lithuanian leader, said the attack was the work of either Soviet security forces or of the mafia. But he said that the Soviet leadership bore ultimate responsibility for attacks by its own security forces and even accused Washington of abandoning the Baltic cause.

Suspicions of guilt immediately focused on the controversial OMON élite police force, which has been involved in previous incidents at Lithuanian border posts and last month took over the Vilnius telephone exchange, cutting off the republic from the rest of the world for two hours.

Mr Boris Yeltsin, the Russian president who signed an unprecedented friendship treaty with Lithuania on Monday, condemned the attack.

● Separately, Interfax news agency reported that 14 to 15 people had died in an explosion on board a Moscow-Baku train.

AMERICAN NEWS

Peru seeks global converts to the sacred leaf

Moves are afoot to make coca a tradeable commodity, writes Sally Bowen

THE COCA leaf, classified by the UN as a psychotropic and therefore illegal substance since 1961, may become a tradeable commodity if recent Peruvian moves, as yet only semi-official, come to fruition.

A task force inside the Ministry of Foreign Affairs is studying how best to reverse coca's current illegal status and so permit its export; while Enaco, the state coca marketing board, has started an intensive publicity campaign to persuade Peruvians – and ultimately, it hopes, the world – of the benefits of "the sacred leaf".

No one knows exactly how much coca is grown in Peru – the US State Department estimated in 1988 there were 150,000 hectares being cultivated – but Mr Carlos Amat y Leon, Peru's respected former minister of agriculture, says new satellite pictures confirm 260,000 hectares under cultivation, with each hectare capable of producing 1.8 tonnes of coca leaf.

Coca is a traditional Andean crop and the leaf has been used for centuries by the local population for chewing, trading and a variety of cultural purposes. Only 25,000 small growers who registered prior to legislation in 1978 are unequivocally "legal". They farm principally in the Cuzco area and sell about 5,000 tonnes a year to Enaco at fixed prices.

But there are no legal outlets for growers in the Huallaga Valley, 250 miles north-east of Lima and now Peru's prime coca-growing zone, which developed after the 1978 law.

Of the 5,000 tonnes it buys annually, Enaco resells about 4,500 tonnes for chewing. The remainder is processed in Enaco's well-concealed, run-down plant in one of Lima's rougher districts.

Peruvians have grown coca for centuries, principally for chewing

The factory is running at only 10 per cent of capacity. It produces 92 per cent pure cocaine hydrochloride for medical use, exporting 420kg in 1989-90 to the US. About 1,000kg of the leaf finds its way to Italy for use in making vermouths, while Stepan, an American company based in New Jersey, imports the leaf under special licence and supplies Coca-Cola with a flavour essence extracted from it. (It is part of the popular history associated with the soft drink that its traditional bottle is modelled on the striated coca seed pod).

Yet coca tea bags, Enaco's principal product and a familiar sight on Peruvian supermarket shelves, cannot be exported. An attempt late last year to ship 7,300 boxes of "de-cocainised" bags to the US ended in their seizure and incineration by Drug Enforcement Administration officials in Miami. The importers are still trying to challenge a US Department of Justice ruling that even without the alkaloid which produces the cocaine drug, coca tea bags are not permissible under the 1961 UN Single Convention on Narcotic Drugs.

Peruvian experts are arguing increasingly vociferously that this ruling is nonsense. Coca's many medicinal properties are well-known to Bolivian and Peruvian peasants: apart from alleviating fatigue, it is held to be beneficial to the digestive and circulatory system.

Mr Amat y Leon says that North American "discrimination" against the coca leaf, as distinct from its derivative cocaine, is absurd. "No one with a modicum of education holds the grape, or those who grow it, responsible for alcoholism," he says.

By-products from coca abound. Enaco's Lima plant displays an array of coca wines, elixirs, honey, shampoo and toothpaste. The future for these is not bright, however – the wine is poor (with much sediment), while products like toothpaste use only small quantities of coca leaf against a large proportion of imported items.

Coca tea bags are a different prospect. Most of the leaf processed by Enaco goes into the 7m bags produced annually. Plant capacity is 60m.

"Just one per cent of the Japanese herbal tea market, and we'd be in full production," says Mr Victor Altamirano, Enaco general manager.

Mr Hugo Cabieses, an economic adviser to the Confederation of Traditional Coca Leaf Growers, favours bringing in South Korean experts in the marketing of ginseng to advise on coca, "which is just as beneficial as ginseng and actually more nutritious," he says. Ginseng is a hugely profitable export for South Korea, where it provides work for 30,000 peasant farmers and workers in processing plants.

Mr Cabieses also proposes an agreement with the US for the use of coca tea bags as a treatment for cocaine addicts: experiments show the tea bags can help wean addicts off cocaine.

Flooding the world with coca tea may seem an off-beat solution to Peru's problem. But eradication and/or substitution of hundreds of thousands of acres of "illegal" coca will take years, if at all, and will be immensely costly. Mr Amat y Leon estimates crop substitution would cost $500m a year for 10 years.

Interandes, a Swiss-Peruvian engineering consultancy specialising in Andean development projects, believes that "legal coca is the best substitute for illegal coca". Under the Interandes scheme, the state would purchase coca leaf from growers for an interim period at prices competing with those paid by drugs traffickers. While coca is gradually substituted with alternative crops the leaf could be destroyed or used in tea bags.

But the tea-bag option will lie ultimately with the UN, to whom Peru, together with Bolivia, is likely to present its proposals before the end of the year.

Passage of bank reform legislation faces delay

By Peter Riddell

LEGISLATION to reform the US banking structure ran into squalls in Congress yesterday, threatening to delay its passage this year.

The Bush administration had been pressing for early action as it had thought the insurance fund guaranteeing bank deposits would run out of money in autumn. However, Mr Nicholas Brady, treasury secretary, admitted yesterday the fund should not now be insolvent during this calendar year.

In the Senate, a planned drafting session by the banking committee was held up by the objections of some Republicans to proceeding so rapidly with such a complicated measure.

An agreement could still be worked out to allow the committee to meet before the Senate starts its August recess in a few days' time. But delaying committee action until September could affect the chances of passing a comprehensive measure this year.

Senator Alfonse d'Amato from New York described the draft legislation as too complicated to be rushed on.

On the House side, where the banking committee approved its version a month ago, Mr John Dingell, chairman of the energy and commerce committee, underlined his opposition to proposals permitting commercial banks to expand into securities and insurance activities, and commercial businesses to own banks.

During a hearing yesterday Mr Dingell said "the corporate cemetery" is littered with companies that failed because they were involved in activities unrelated to their successful core businesses.

He cited Citicorp which, he said, "lost its shirt" in the securities business overseas. He described the US's largest banking group as struggling to survive and said it was "technically insolvent".

Instead of legislation changing the current laws to expand bank powers, Mr Dingell preferred step-by-step initiatives by regulators to roll back some of the restrictions on bank activities.

US black rights group opposes black judge

By Peter Riddell, US Editor, in Washington

THE already controversial nomination of Judge Clarence Thomas, a prominent black conservative, to the US Supreme Court has run into further trouble following yesterday's public opposition by the National Association for the Advancement of Coloured People, the largest civil rights organisation in the US.

The odds are still that Judge Thomas will be confirmed, but the NAACP's decision will increase pressure on Democrats to oppose him when the Senate judiciary committee considers the nomination in September.

There has been considerable agonising within the NAACP about whether to oppose a black nominee. Mr William Gibson, chairman of its board of directors, said yesterday that Judge Thomas had inconsistent views on civil rights while his opposition to affirmative action was "hostile to the best interests of black people" and "reactionary."

"We have concluded that Judge Thomas' confirmation would be inimical to the best interests of African-Americans. While we appreciate the fact that Judge Thomas came up in the school of hard knocks and pulled himself up by his own bootstraps, our concern is for the millions of blacks who have no access to the bootstraps."

The NAACP believes the seat on the Supreme Court – left vacant by the retirement of Justice Thurgood Marshall, a leading black liberal – should go to an African-American. The group would, he said, "continue to fight until an appropriate replacement who embodies the view of the majority of black Americans is nominated and confirmed."

Several women's rights and liberal groups have already come out in opposition to the Thomas nomination, and the NAACP's announcement may be taken as a lead by other organisations.

Brazilian police launch big anti-drug operation

By Victoria Griffiths in São Paulo

BRAZIL'S federal police have launched a big anti-drug operation in a bid to break the influence of the Colombian-based Medellín and Cali drug cartels in the Amazonian state of Rondonia.

Three federal representatives from Rondonia are under investigation for alleged links to cocaine trafficking. One congressman, Mr Jabes Rabelo, testified yesterday before the congressional commission on narcotics traffic regarding his alleged connection with the Cali drug barons.

Last month Mr Rabelo's brother, Abidiel, was arrested in São Paulo on charges of possessing half a tonne of cocaine. He was said to have been using false identification signed by his brother.

The other two congressmen implicated in the scandal are Mr Mauricio Calixto, allegedly a member of the Medellín organisation, and Mr Nobel Moura, allegedly a member of the Cali clan. The Colombian cartels are believed to have relocated much of their operations to Brazil.

The three congressmen were denounced by Ms Raquel Candido, a fellow-Rondonian representative, who is under police protection after she was physically attacked by Mr Moura on the floor of Congress as she made a speech denouncing drug activities in Rondonia.

The federal police have also begun to evacuate 9,000 independent gold and tin miners from Rondonia. The miners are suspected of laundering money for the drug cartels.

The authorities believe Rondonia is the centre of the cocaine trade in Brazil. The state, which has already earned the nickname of "the Brazilian Colombia," shares an 800-mile border with Bolivia.

Aylwin and Menem to sign border accord

PRESIDENT Patricio Aylwin of Chile arrives in Buenos Aires today for a 48-hour visit being billed as an historic reconciliation between the democratic leaders of two countries divided by more than the Andes mountain range, writes John Barham in Buenos Aires.

Tomorrow Argentina's President Carlos Menem and Mr Aylwin are to sign an accord settling 23 border disputes that have soured relations since the nineteenth century. Argentina has long suspected Chile of coveting Patagonia and the two countries almost went to war in the 1970s and 1980s over the control of the Beagle Channel at the tip of the continent.

The last remaining significant border dispute – over a Patagonian lake – is expected to be referred to mediation by the Organisation of American States.

Ending the border disputes does more than eliminate a source of tensions between the two countries. Mr Aylwin said in an interview that "the definitive establishment of the border is a guarantee of peace because it eliminates any pretext [for conflict] by the armed forces of either side."

Both countries' armed forces often cite the military "threat" posed by the other to justify bigger defence budgets or a larger role in domestic politics.

Trade and economic topics are likely to predominate in meetings between the presidents and their aides.

Chile, Latin America's free-market trailblazer, has avoided closer trade links with the unstable economies of Argentina, Brazil, Paraguay and Uruguay, which plan to form a common market in 1995.

However, Buenos Aires believes Chile will be attracted to regional integration as Argentina and then Brazil consolidate their orthodox economic reforms.

S Korea suffers big trade deficit

By John Ridding in Seoul

SOUTH KOREA suffered a current account deficit of $5.84bn (£3.47bn) in the first six months of this year, the worst half-year figures ever recorded, the Bank of Korea said yesterday.

The central bank said that the deficit, prompted by sharply increased imports from Japan and the US and relatively sluggish exports, will further deteriorate before improving in the third quarter.

It forecasts a deficit of between $3.5bn and $4bn for the year, a sharp increase from beginning-of-year forecasts of a $2bn shortfall.

But inflation figures for July, also published yesterday, provided some good economic news for the government. According to the Economic Planning Board, the top economics ministry, the consumer price index rose by just 0.4 per cent in July.

The increase was the lowest monthly rise so far this year and means that the government may now be able to achieve its annual target of single-digit price rises. For the first seven months the consumer price index has risen by 7 per cent, down from the 7.8 per cent rise recorded in the same period last year.

In the first half of the year, according to the Ministry of Trade and Industry, South Korea's merchandise trade deficit widened to $5.08bn. This compares with $1.35bn in the same period last year and $5bn in 1980, the previous worst first-half performance.

Exports during the period totalled $32.99bn, an increase of 12.9 per cent from a year ago, while imports rose by 24.5 per cent to $38.08bn.

Trade with both the US and Japan suffered record deficits in the first half. South Korea suffered a shortfall of $876m in its trade with the US, its single largest trading partner, with which it has traditionally achieved trade surpluses. With Japan the deficit in the first six months amounted to $4.58bn.

By product, the strongest gains in exports were achieved in the shipbuilding and vehicle industries.

Malaysian land law approved

MALAYSIA'S parliament has approved a law letting the government acquire for development land belonging to individuals, Reuter reports from Kuala Lumpur. Opponents say the bill could allow the Malay-dominated government to seize land owned by ethnic Chinese, who control the economy.

Parliament voted 99-25 to pass the Land Acquisition (Amendment) Bill, which lets state governments acquire land for purposes "beneficial to Malaysia's development".

China flood aid

The UN has decided to use most of the $7.3m international aid to flood-stricken China to provide temporary shelters, it said yesterday, Reuter reports from Beijing.

"About 80 per cent of aid will be allocated to purchasing building materials for temporary shelter, 10 per cent for medicines and water purification facilities, and 10 per cent for contingency," it said.

Mongolian reforms

Mongolia's ruling Communist party, facing national economic collapse, has ended a conference cautiously endorsing capitalist-style reforms, Reuter reports from Ulan Bator. The party had agreed to continue free-market economic reforms, avoiding return to "bureaucratic socialism" and collapse into "wild capitalism".

Pakistan arms move

Pakistan has extended a deadline for surrendering illegal arms until August 30, Reuter reports from Karachi. Only 26 illegal weapons have been surrendered in one month.

Inkathagate lances boil left by era of apartheid

The slush fund scandal could have several beneficial effects for South Africa, writes Patti Waldmeir

OLD HABITS die hard in South Africa. The habits of secrecy and deceit, authoritarianism and abuse of power, bred by 43 years of uninterrupted National Party rule, will not easily be abandoned. The deep distrust which is the legacy of apartheid will not quickly be overcome.

That is the sober lesson of the past fortnight, which has seen the South African government thrown into crisis over revelations that it secretly funded the Zulu Inkatha movement. Government officials lied about this policy; their untruths have cast doubt on denials that Pretoria has been involved in far more nefarious deeds, including security force violence against political opponents.

On Tuesday night, President F W de Klerk guaranteed that such abuse would end, and promised a new dawn of honesty, openness and accountability in government. Unfortunately, he has forfeited his automatic right to be believed.

It was a confident and persuasive performance. But the president volunteered almost no details of secret projects beyond those already unearthed by the press; he did not admit that wrong had been done, but continued to defend what many consider indefensible; he insisted that he did not know of a policy which contributed to the rivalry which has left thousands dead in black townships.

In the circumstances, there was probably little else he could have done but pledge himself to future propriety – and hope that no further misdeeds are revealed to undermine the edifice of trust he is struggling to rebuild.

That trust will not easily be restored, as callers to a Johannesburg radio station made clear immediately after Mr de Klerk's televised address to the nation. "I feel so disappointed," said Esther from Soweto, with real bitterness in her voice. "I trusted De Klerk," she complained, adding "he's worse than Verwoerd (Hendrik, the architect of apartheid) – at least Verwoerd was open, you knew he was against the black man."

That is strong language about a man who has nearly abolished apartheid and brought blacks to the brink of political power almost single-handedly. But every black caller to the station, Radio 702, expressed a similar sentiment. Black South Africa has been left with no illusions about Mr de Klerk's intentions: he is a statesman, certainly; but ultimately he is a politician seeking to protect the interests of his constituency.

The recognition of that reality could well benefit negotiations: "What did they expect him to do, hand over the keys to the Union Buildings (the seat of power) and ride off into the sunset?" asks one exasperated political commentator who thinks the government's opponents were naive to ignore the demands of realpolitik.

Indeed, the crisis could have several beneficial effects. Not least, it has proved a sobering experience for the National Party, which had grown arrogant after 18 months spent running political rings around the disorganised and fractious ANC.

By substantially weakening Chief Mangosuthu Buthelezi (who risks being branded a stooge because his party was funded by Pretoria), the scandal has cast doubt on the prospects for a so-called Christian Democrat Alliance, built around the poles of Zulu and Afrikaner nationalism; many in the National Party believed such an alliance could win non-racial elections, and cut the ANC out of power. This now looks unrealistic.

Even more importantly, Mr de Klerk has removed from power two ministers who – by neglect or by design – blocked progress to a new South Africa. Mr Adriaan Vlok, who was demoted from the law and order ministry, and Gen Magnus Malan, formerly minister of defence, jointly presided over an era of death squad killings, assassination attacks in neighbouring territories, and the detention of 30,000 political activists.

There is a weight of circumstantial evidence to suggest that under their leadership, the police and army instigated – or even participated in – violence between Inkatha and the ANC.

Doubts remain over whether Mr Roelf Meyer, 44 – urbane and liberal – will be tough or shrewd enough to control the fearsome National Intelligence Service in his new post as Minister of Defence.

The promised commission of inquiry into violence could also do much to clear the air, especially as Mr de Klerk has said its composition would be agreed with the ANC and other opposition groups. But past commissions have failed to appease the opposition; they have proved either unable or unwilling to carry out their task impartially. And in a country where, in the words of one commentator "the police have a record of dumping bodies in the veld", it will take rare courage to testify against the security forces.

Perhaps the most important effect of the crisis will be to force the issue of an interim government. For if the ANC does not trust the government to avoid abusing its monopoly of power, the solution is to put mechanisms in place which will make abuse impossible – or at least easily detectable. The government is offering the ANC and other groups places in cabinet, and may offer appointments to the security services as well. Pretoria knows that constitutional negotiations cannot succeed if the government tries to be both player and referee.

But any such arrangements must be agreed through negotiation at a proposed multi-party conference. Both sides say the scandal has demonstrated the need to proceed swiftly to the table. Privately, ANC officials say that almost all obstacles to the talks have now been cleared away: the government has agreed to solve the problem of remaining political prisoners in the nominally independent homeland of Bophuthatswana, and a joint ANC-Inkatha-government-church committee on violence has agreed in principle a code of conduct for political parties and the police. Still, the ground must be prepared carefully for the talks, which will probably begin only at year-end or early next year. Overall, "Inkathagate" was an opportunity to lance the boil left by decades of apartheid. The operation is not yet complete, but at least it has begun.

S African miners exchange higher pay for better union rights

By Philip Gawith in Johannesburg

SOUTH African miners yesterday accepted their lowest wage increase since their negotiating rights were recognised in 1983, but the National Union of Mineworkers has gained improved workplace rights.

Workers at two mining houses agreed to straight pay increases starting at 6.5 per cent, the South African Chamber of Mines said. Employees at four other mining houses agreed to wage increases linked to the mines' profits. The profit-linked wage offer includes a basic 5 per cent increase on group rates and creates the opportunity for miners to receive bonuses tied to the price of gold, the Chamber of Mines said.

Concluding their annual wage negotiations, both parties stressed that the agreement, a high-water mark in industry realism, should be seen against the background of the exceptionally difficult circumstances in the gold industry.

The NUM has suspended for 1991 its policy of seeking a uniform national wage policy across the industry because of the industry's weakened condition.

According to NUM calculations the average wage increase is about 6 per cent, well below inflation, which is running at 15 per cent. The agreement covers 180,000 NUM members directly, but most of it is extended to all of the 500,000 miners employed by members of the Chamber.

Insofar as gold mines are concerned, four of the mining groups – Anglo American, Genmin, JCI and Rand Mines – have made profit-linked wage offers. The trigger at which their bonus linked to the price of gold becomes operative is an average monthly gold price above R33,750 per kg (roughly $365/oz at current rand/dollar exchange rates).

The maximum bonus which can be paid is 7 per cent. The bonus scheme does not apply to "sick" mines – those where less than 5 per cent in every Rand of gold sold is profit, after deducting capital expenditure.

Gold Fields' mines and Hartebeestfontein in the Anglovaal stable will be paying straight wage increases of 6-9 per cent. Chamber collieries, whose financial position is better than in the gold industry, have made offers of 6.5- 19.1 per cent.

What the NUM lost in terms of wage increases was made up in part through significant gains in terms of union rights. These include the right of reasonable access to mine property for union officials.

MADAGASCAR'S opposition stepped up the pressure on President Didier Ratsiraka yesterday, occupying another government ministry building in the capital. For the past seven weeks demonstrators have been taking to the streets of the island's capital, Antananarivo, (above) and other centres calling on the president to resign.

After yesterday's rally thousands of protesters marched in orderly silence to occupy the Ministry of Higher Education, the eighth ministry building to be occupied. The buildings are empty because of a three-week civil servants' strike.

Despite a state of emergency imposed on the capital last week, security forces have kept a low profile.

The opposition have formed a shadow government led by Mr Jean Rakotoharison, a retired general.

Mr Ratsiraka dismissed his government at the weekend and earlier this week appealed for opposition leaders to come forward to discuss forming a new government, as well as constitutional and electoral reforms. But the president, who took power at the head of a ruling military junta in 1975, said he was not prepared to step down.

Saddam to recast his ruling party

By Lamis Andoni in Baghdad

PRESIDENT Saddam Hussein has launched a broad restructuring of his ruling Ba'ath party in an effort to secure his power base following Iraq's military defeat and the rebellions by the Kurds and Shias that followed.

The process involves holding party elections at all levels, the first since 1979, organisational reforms and a programme to win over the younger generation which had been alienated by years of political suppression and a decade of almost continuous war.

So far the elections appear to have been freer than expected and according to Ba'athist sources some senior government officials, including Mr Mohammed Hamadi, the information minister, have been defeated. This is seen as confirmation of the big gap between the party base and senior government officials.

The elections are not expected to bring about a radical change in the upper hierarchy but some members hope that the results will pave the way for the democratisation of the party and the system.

The trend towards greater democracy, which includes a commitment to pan-Arab nationalism, is said to be prevailing in elections across the country. Some party veterans believe that the elections provide a chance to rid the organisation of bureaucracy, opportunism and nepotism.

Party membership is believed to exceed 1.5m, but, as many Ba'athists concede, membership had become a passport, if not a prerequisite, for job promotion, admission to universities and sometimes for survival. Furthermore the growth of the party apparatus has been mostly confined to the security and the army at the expense of the political organisation.

Senior Ba'athist officials admit that fear of security retaliation and the absence of political freedom had paralysed the ability of local party leaders to take initiatives or voice constructive criticism.

The party's weakness was exposed during the Gulf war but showed up most strongly with the inability of local leaders to deal with the Kurdish rebellion in the north and the Shia uprising in the south.

At the same time, some analysts believe that the reprisals carried out by rebels against thousands of members, particularly in the south, has provided a new impetus to rebuild the party and preserve the system.

"Many party members now feel that their fate is linked to the continuity of the system," said one veteran Ba'athist.

Australian inter-state barriers to go

By Emilia Tagaza in Canberra

AUSTRALIA'S federal government and state premiers agreed yesterday to dismantle barriers that have restricted inter-state movement of goods and labour for almost a century.

Following the agreement, the Canberra government indicated that it would devolve more taxation powers to state governments.

Mr John Kerin, federal treasurer, said it was inefficient for both federal and state governments to be collecting the same taxes and it would be sensible to give the states responsibility for collecting some excise taxes.

The extent of the transfer of powers will be finally decided in November at a special meeting between state and federal governments.

State premiers declared agreement in principle on mutual recognition of standards on products and occupations. At present, non-tariff barriers are imposed on products from other states. Certification requirements on professionals also differ among the states.

The reforms were first mooted late last year by Mr Bob Hawke, the prime minister, who said that without such changes, the European market, consisting of many different countries, would be a more unified market than Australia.

The state heads have agreed to establish a National Rail Corporation to standardise rail tracks, signals and industrial relations, and become the sole marketing authority for all inter-state rail freight services by next year.

They announced the establishment of a National Road Transport Commission to force truck companies to pay their fair share of road damage and to help truckers with one set of licensing standards across the country.

A national council will oversee electricity distribution and allow New South Wales, the most efficient producer of power, to sell its power more effectively in other states.

NZ reserve bank praises fiscal policy

By Terry Hall and Reuters in Wellington

MR Don Brash, governor of New Zealand's reserve bank, yesterday said that Monday's budget would tackle the fiscal deficit and should allow the country's interest rates to fall.

The budget of Ms Ruth Richardson, finance minister, sharply cut government spending plans and attacked the social welfare system in what she said was an attempt to end years of overspending.

After Mr Brash's statement, the Bank of New Zealand said it would cut its base lending rate to 13.25 from 14 per cent, with effect from August 19. Mr Lindsay Pyne, managing director, said: "Like its competitors, the BNZ awaited the budget to assess whether the recent fall in interest rates could be sustained.

"Our assessment is that the budget is fiscally responsible and that because of this, wholesale interest rates will continue to trend down."

Mr Brash said that after the budget the reserve bank saw no reason to prevent the interest rate yield curve going positive – with short-term rates below long-term rates – "provided that overall monetary conditions remained consistent with the achievement and maintenance of price stability."

"Certainly there has been a major fall in wholesale rates already, in anticipation of a good budget, but in our judgment the budget does leave scope for further reductions in wholesale rates over the next few weeks and months," Mr Brash said.

The government said that one-off budget changes would boost consumer prices by 1.18 percentage points, mostly in the year to June 1992. Inflation in the year to June was 2.8 per cent.

Mr Brash said: "Fiscal sustainability will help build confidence in the ability of monetary policy to achieve and maintain stable prices."

Although various price rises and user-pays charges will boost the consumer price index, the total impact will be spread over at least two years and looks likely to be in accordance with most expectations, Mr Brash added.

He said that the reserve bank would focus on underlying inflation, which excluded one-off impacts.

"Inflation has fallen considerably, the outlook for achieving price stability looks promising and the government has delivered a budget which removes concerns that fiscal policy may have been on an unsustainable path."

Monsoon failure threatens harvest prospects in India

By KK Sharma in New Delhi

INDIA'S growth prospects for the 1991-92 financial year, when sweeping economic reforms will be implemented, could be seriously affected by a drought in key states in the north.

The ministry of finance had forecast a growth rate of 4 per cent in gross domestic product and an inflation rate of 9 to 10 per cent in the year.

It had been assumed that the country would have normal monsoon rains on which agricultural production – mostly from the north and still the mainstay of the economy – is heavily dependent.

While the monsoon has caused floods in other parts of the country, and hundreds of villagers are feared to have drowned, the drought in the north, India's bread bowl, is causing serious infrastructure problems for industry which relies for 30 per cent of its electricity supplies on hydro-electric stations which need the monsoon rains to fill their reservoirs.

It is unlikely that the record foodgrain production of 170.6m tonnes in 1990-91 will be repeated this year. But three good agricultural years have enabled the government to build up stocks of more than 20m tonnes.

Burma's rulers arrest Moslems

BURMA'S military rulers have arrested 466 Moslems in their latest crackdown on any signs of opposition, a Moslem source said yesterday, Reuter reports from Mae Sot, Thailand.

He said the Burmese army had rounded up 186 Moslem Arakans from Maung Daw township and 280 from Sittwe town, both near the Bangladesh border, on July 23.

He had then travelled from Arakan state in western Burma to an anti-government centre near the Thai town of Mae Sot on the border with Burma.

The Burmese army accused the people of both Maung Daw and Sittwe of supporting the Arakan Rohingya Islamic Front (ARIF), the source said.

Israel's Soviet immigration slips

By Victor Mallet in Jerusalem

THE NUMBER of Soviet Jews emigrating to Israel fell sharply in July to about 10,000 as new Soviet passport regulations and concerns about high unemployment in Israel took their toll.

Israeli officials have been forced to reduce their estimate for Soviet immigrants in 1991 to 225,000 from the 300,000 they hoped for at the start of the year; 187,000 arrived in 1990.

The number of last month's arrivals was below average and less than half the number in June, when Soviet Jews rushed to beat the introduction of a Soviet law requiring emigrants to obtain passports before leaving the country.

However, the Jewish Agency, which is responsible for organising immigration, said yesterday that the cut in July was less than expected because the Soviet authorities had done everything in their power to issue passports quickly.

"There is no substantial change in the desire of Russian Jews to come to Israel," said Mr Gad Ben Ari. "The only difference is in how long it will take them to come to Israel."

Mr Yitzhak Peretz, Absorption Minister, said: "These figures show that fears that *aliyah* [immigration] would stop are baseless."

Mr Ben Ari said some Soviet Jews were taking a more calculated view about when to emigrate now that fears of pogroms in the Soviet Union had subsided. In Israel, a third of the immigrants are still without work, while few of those who do have jobs are working in their chosen professions.

Israelis generally welcome Soviet Jewish immigration despite the strains on jobs and housing, because they believe the influx helps them to attain the "critical mass" they need for survival as a nation in the Middle East. The Jewish Agency is hoping the number of immigrants from the Soviet Union will eventually reach 1.5m, which compares with Israel's present total population of less than 5m.

President Aquino gives Imelda the choice between exile and jail

Philippines lifts ban on return of the Marcos family

THE Philippines yesterday lifted its ban on the exiled former first lady, Mrs Imelda Marcos and her family, returning home, but said that she would be arrested when she did, Reuter reports from Manila.

The presidential palace, announcing the decision, said the body of the late president Ferdinand Marcos would still not be allowed back.

It also warned extremists against using Mrs Marcos's return to incite violence. She has lived in exile in the US since she and her husband were overthrown in a popular revolt in 1986.

She wept with joy in New York on hearing the news and declared "her prayers were answered", her lawyer said.

President Corazon Aquino's government has accused the Marcos family and its business associates of stealing up to $10bn (£6bn) from the economy during 20 years in power.

Mrs Aquino lifted the ban so that Mrs Marcos, 62, could stand trial in her homeland, Mr Frank Drilon, Mrs Aquino's executive secretary, said on national television. Marcos's three children and her grandchildren would also be allowed to return.

"This action is being undertaken ... in the hope that with the return and prosecution of Imelda Marcos, the Philippines will be ridding itself finally of the remaining ghosts of the dictatorship," Mr Drilon said. The government would start filing tax fraud and corruption charges against Mrs Marcos and her children, he said.

The return of a woman who, with her husband, ruled the country with an iron fist could pose massive security problems for the government. Mr Renato de Villa, the defence minister, hinted that Mrs Marcos could be a target of assassination. "Her safety is the concern of the government," Mr de Villa said in a radio interview. "We have to think about her security in the sense that she could be a victim of trouble."

Mr Drilon, addressing die-hard supporters of the Marcos regime and army rebels who have tried to overthrow Mrs Aquino in six coup attempts, warned extremists against fomenting violence. "We are warning any group that may want to use her return for political purposes against creating disturbances or starting activities intended to disturb the stability of the country."

Once back in the Philippines, the Marcoses will be barred from leaving to ensure their presence at the trial, he said. Mrs Marcos's joy was tempered after she heard of the ban on her husband's remains, a move she said was "unbelievable and cruel".

Mrs Marcos, who denies plundering her country, was acquitted by a New York jury last year of racketeering charges arising from the alleged theft of millions of dollars from the Philippines treasury.

Manila believed it could handle security problems arising from the return of the Marcos family but "the matter of the corpse ... can continue to be used for political purposes," Mr Drilon said. Mrs Marcos could run for president in the 1992 elections if she was qualified, he said.

The filing of charges against Mrs Marcos would not disqualify her from running for president, though conviction would, legal experts said.

Imelda Marcos

INVASION OF KUWAIT: ONE YEAR ON

Uneasy sits the crown on unrepentant Saddam

One year ago in the early hours of August 2, President Saddam Hussein of Iraq sent his troops into Kuwait. Their mission was to annexe the tiny emirate, to create Iraq's 19th province. The invasion unleashed the biggest allied military operation since the Second World War. Financial Times reporters look at the region one year on.

ONE year on, President Saddam Hussein of Iraq, the man who unleashed his armed forces for the invasion of Kuwait, has apparently learned nothing at all. That, at least, is the impression he gives.

He gave a virtuoso performance just two weeks ago on July 17 to celebrate the 1968 coup d'état which laid the foundation for his rise to power. The unrepentant president first praised the soldiers he sent to fight and die, both against Iran between 1980 and 1988 and against the US-led multinational alliance in the "Mother of Battles" (he still calls it by that name) which ended on February 28 this year.

He went on to say his Baath Party was the latest standard-bearer of Islam (ignoring the party's secular ideology) and to blame Zionists and colonialists for Iraq's problems (forgetting to mention the rashness of his decision to invade Kuwait and betray his Arab allies).

"The treacherous 30-country aggression against Iraq on January 17 1991, was a battle which in terms of reality and results was one between good and faith on one side, and evil and aggression on the other," he said.

"The villains... thought that they could destroy manhood by destroying childhood; that they could close the doors to the future by destroying the foundations of the material construction of the present; that they could remove faith from hearts by stripping markets of goods; and that they could terminate principles by dividing ranks."

President Saddam did not forget to remind his listeners the country called Iraq was a centre of civilisation 6,000 years ago, and that it was now moving towards "the principles of party pluralism".

His speech was remarkable for containing the same themes he was expounding before he invaded Kuwait in August last year. Here was a man, responsible for one of the worst disasters in military history, talking to his people as if nothing had happened.

There was a brief period in March, just after the war, when the Kurds in northern Iraq and the Shia Moslems in the south rose up against him and butchered Baath party officials. President Saddam faltered and failed to appear in public. Visitors to Baghdad reported that junior officials who would once have hesitated to criticise the government over a family meal were now openly contemptuous of Mr Saddam and his followers even when talking to strangers.

The fact that he crushed that rebellion, survived and prospered is a testament not to his popularity – although neither the western powers nor the privileged Sunni Moslems of central Iraq welcomed the prospect of a fragmented Iraq or of the Shia majority ruling the country – but to the brutal effectiveness of his regime's internal security services.

Having failed either to keep Kuwait and its oil wealth or to overthrow President Saddam, the Iraqi people are now wearily getting on with the business of living. It was hard enough before the invasion, and men used to complain that they did not have enough money to get married; now economic sanctions have caused widespread shortages and rampant inflation, and cholera outbreaks have been reported.

Even as the evidence emerges day by day of Iraqi weapons programmes (and of Iraqi lies about those programmes), President Saddam appears to have put his enemies abroad in a diplomatic quandary. The Iraqi leader argues that the country needs to sell oil to feed its children, while the west struggles to think of a method of feeding the children without supporting the regime.

He points out to sympathetic Arabs that intransigent Israel is allowed to get away with flouting UN resolutions while Arab states are not, leaving President Bush casting around for allies who might support further air strikes against Iraqi military targets.

Mr Saddam can nourish the idea that squeezing Iraq too severely will create the kind of bitterness which allowed Nazi Germany to emerge from the aftermath of the First World War. Fugitive Shias, meanwhile, are camped out in the marshes, fearful of reprisals after their failed uprising, while the Kurds who embarked on negotiations for autonomy when Mr Saddam was weak now find him less willing to compromise.

None of this can disguise the fact that the Iraqi regime has been weakened and isolated by the war.

Mr Saddam has the same strengths as before – the ability to survive his own mistakes and the ability to appeal to Palestinians, Algerians and other resentful Arabs who do not have to endure his authoritarian rule.

He also has the same weaknesses, including an obsession with his own ambitions and an inability to envisage Iraq becoming great through the peaceful exploitation of its substantial natural resources rather than by military might.

Above all, Mr Saddam is so anxious not to be overthrown that he is liable to kill his most successful generals, and he has instilled so much fear into his underlings that they dare not tell him when things are going badly.

Victor Mallet

VIEW FROM WASHINGTON

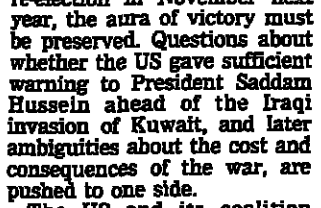
The aura of victory must be preserved

FOR President George Bush and most Americans, the Gulf war remains a victory to be celebrated – barely tarnished by the continuing problems with Iraq and the so far disappointed hopes of creating a new Gulf security structure.

The proportion of the American public considering the war to be "a great victory" has declined from the very high levels of early March, but around 80 per cent still believe the US did "the right thing".

These findings condition how the Bush administration and the American public view the region in the aftermath of the war. For Mr Bush, facing re-election in November next year, the aura of victory must be preserved. Questions about whether the US gave sufficient warning to President Saddam Hussein ahead of the Iraqi invasion of Kuwait, and later ambiguities about the cost and consequences of the war, are pushed to one side.

The US and its coalition allies achieved the formal aim of United Nations resolutions in expelling Iraq from Kuwait and restoring its government. But there has been less success with two implicit US aims: removing Saddam from power



and destroying Iraq's capacity to develop weapons of mass destruction.

The US never had a clear view of what would happen after the war. During the war Mr Bush talked of the need to topple the Iraqi leader, even suggesting this would happen before long. But facing growing disorder in Iraq itself after the recapture of Kuwait, Mr Bush was aware that there was neither international nor domestic support for further fighting. Hence the US decided not to intervene in the short-lived Iraqi civil war in March and April. Only appeals from Britain and other European allies and criticism at home over the plight of the Kurds led to the deployment of troops in northern Iraq.

Following the advice of its Saudi allies, the US's implied preference was for a military coup by the Sunni military leadership against Saddam, rather than a change in Iraq's political structure. This turned out to be a misjudgment. As Saddam has tightened his grip, the White House has dropped such predictions but still insists that sanctions cannot be lifted, and normal relations restored, until he goes.

The disclosure that Iraq has retained the potential to continue a nuclear weapons programme embarrassed Washington after the confident statements that bombing had destroyed this capacity. The US, and its British and French allies, have sought to keep up the pressure on Iraq to allow inspection of its nuclear facilities and to permit their destruction. The right to take military action has been asserted in warnings from Mr Bush.

Overall, however, the Gulf war has left the US in a much stronger position in the region. This is a reflection not only of the US success in pulling together a remarkably diverse coalition and producing a quick military victory but also of the determination of the Bush administration to induce Israel to attend a Middle East peace conference.

There is a widespread desire among Middle East states to have friendlier relations with the US, even among countries previously critical of Washington over its attitude towards Israel. There have even been signs of a thawing of the decade-old hostility between the US and Iran.

In January, the US relaxed its three-year-old ban on Iranian oil imports, but untilTehran uses its influence to secure the release of US hostages in Lebanon this improvement is likely to be limited.

The US has had a mixed time with its Arab allies in last winter's coalition. The main problem has been Kuwait itself, where the restored emir and his family have embarrassed Washington with their attitude to human rights and democratic aspirations.

The US has found Saudi Arabia supportive of some of its broader foreign policy goals – notably working towards a Middle East peace conference – but cautious about creating new regional security arrangements. Further sales of conventional arms to Gulf states to bolster their own defence capabilities have been proposed but Saudi Arabia has sought to play down any continuing presence of US troops in the region.

Regional efforts have been set back by tension between Egypt and Syria on the one hand and Kuwait and other Gulf states on the other over the balance of an Arab peace force. This has forced the US to retain an armoured brigade in Kuwait.

The US has had to come to terms with the slow-moving nature of Gulf politics which the 1990-91 crisis shook but did not fundamentally change. There are limits to how far the US can use its enhanced authority in the region.

Peter Riddell

GULF ECONOMIES

Rebuilding lures foreigners back

THE NORTHERN Gulf has seen its share of stampeding businessmen over the past year.

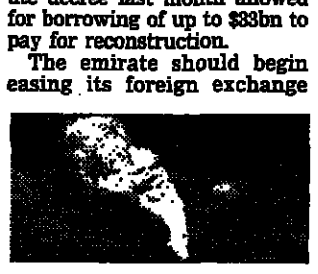
The droves in which they left soon after August 2 have been matched only by the droves returning, tempted by the promise of up to $20bn (£12bn) in reconstruction work in Kuwait alone.

That so many have come back testifies to the perennial attraction of an area which holds 66 per cent of the world's oil reserves and remains one of the world's biggest import and construction markets.

The immediate shock to most states has been the war's cost. Saudi Arabia paid $65bn to the US and others and Kuwait paid $13.5bn to the US and now requires large amounts for reconstruction. Both states are in the unusual position of needinglarge chunks of international lending.

Foreign bankers are not rushing in and Gulf governments will be forced to pay wider margins. As Kuwait's oil industry crawls back into production, the emirate is likely to be the biggest caller on the international market. An emirate decree last month allowed for borrowing of up to $33bn to pay for reconstruction.

The emirate should begin easing its foreign exchange



freeze by the end of the year, when oil exports could reach 400,000 b/d – compared with its pre-invasion figure of just over 1.5m b/d. The hard-won success of the oil firefighting teams, which have capped more than 250 of Kuwait's 800-plus damaged wells, already allows the country to pump enough for its domestic needs of 140,000 b/d.

Kuwait will not be the only big borrower. Saudi Arabia has borrowed $4.5bn from foreign banks since the war, along with $2.5bn from local institutions. Nor is this likely to be the end of it.

Ambitious plans to raise oil production capacity from its present 8.5m b/d to 10m b/d are expected to require spending of up to $15bn over the next four years, along with further investment of up to $10bn in downstream projects.

Further down the Gulf, Oman has also been sounding out the markets for $300m, to supplement domestic bond issues aimed at raising more than $1bn for its own industrialisation programme.

Money alone, however, will not suffice to put the Gulf economies back on an even keel. Restoring confidence will perhaps prove the greater task.

Bahrain, in particular, is still reeling from the drain of expatriate bankers and capital which greeted the Iraqi invasion and which left its offshore banking industry deeply retrenched and in disarray. In a move to restore foreign interest, the government last month took the almost unprecedented step in the Gulf of permitting foreign companies to set up majority-owned interests on the island.

The United Arab Emirates had been, until the BCCI scandal, one of the region's few winners. Increased oil revenues were outstripping the states' contribution to the allied war coffers.

However, the shutdown of BCCI, in which the Abu Dhabi ruling family has a 77 per cent stake, leaves the emirate facing billions of dollars in losses and compensation. It also puts paid to plans earlier this year to turn the Emirates into a new Gulf centre for offshore banking.

Mark Nicholson

POLITICS IN KUWAIT

Hopes of lighting a democratic beacon have faded fast

THE 300,000 KUWAITIS who endured occupation emerged from it at first with a defiant optimism believing their country would never be the same again.

This mood, amplified by newly confident opposition groups, was reassuring to the west, which believed the effort to return the ruling al-Sabah family to power might encourage it down the democratic road. But hopes that Kuwait will become a democratic beacon in the dynastic Gulf have had to be severely tempered.

As Kuwait City comes to resemble its pre-war self, so too does Kuwait's political topography. Moreover, the treatment of the country's large Palestinian population - which stands at just over 90,000 against 400,000 before the war - has added an unsightly stain on the country's image and tarnished the coalition's sense of victory.

But while the opposition, and influential quarters in the west, have been quick to identify the al-Sabah as the chief impediment to democratisation, the clamour for change in Kuwait itself has lessened.

Sheikh Jaber al-Sabah, the emir, was slow at first to respond to opposition calls to restore in full the 1961 constitution, parts of which he suspended in 1986 along with the full parliament. Nevertheless, by June he had promised full elections and a restoration of the constitution by October next year.

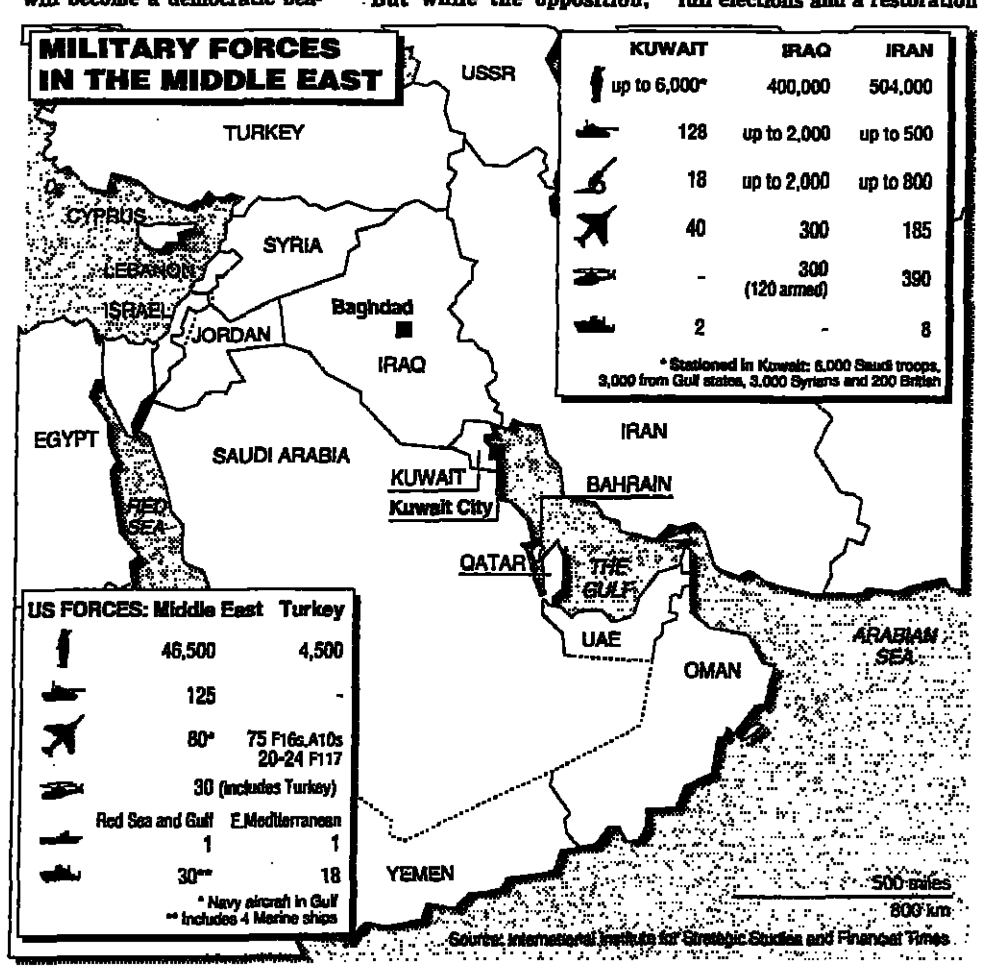
The seven main opposition factions - which have formed a co-ordinated working group embracing all from the liberal left to the rigidly Islamic - protest that elections should be called immediately and that the government is playing for time to gerrymander the poll. The emir's decision to reconvene the National Council, an interim assembly set up in April last year to quiet opposition demands for more democracy, was also greeted with cries it was unconstitutional and toothless.

But opposition rallies have drawn only hundreds on to the streets. The emir's commitment to set a date for elections, albeit more than a year from now, has gone a long way to defuse the cries for change.

Other concessions have also helped, such as an undertaking to consider ending the franchise to women and naturalised Kuwaitis. The government has also courted its own conservative constituency with the traditional Gulf rulers' resort to the cheque-book.

In the end, the extent of outright opposition to the al-Sabah rule may not prove an unmanageable threat to the family, which has shown itself determined not to cede any real executive power.

M.N



REGIONAL SECURITY

Fighting shy of joint force

NEXT MONTH, the foreign ministers of the six Gulf states, Egypt and Syria will gather to discuss the implementation of the Damascus declaration – the accord signed by the eight states in March which initially envisaged the formation of a joint Arab peace force to defend Kuwait.

When they meet, however, there will be no Arab peace force on Kuwait or any other Gulf soil. In part this is because the eight signatories have decided that the now diminished threat from Iraq can be contained without one – at least while the US keeps its F-16s parked on aircraft carriers in the region.

But their final failure to agree on this physical and symbolic embodiment of an Arab security arrangement for the Gulf indicates that, for all the eight countries' cries of unanimity and protestations that the Damascus declaration is alive and well, there remain unresolved questions about what such an arrangement might mean.

When the eight foreign ministers met last month in Kuwait to discuss the declaration Sheikh Salim al-Sabah al-Salim, Kuwait's foreign minister, declared that the eight countries' views on Gulf security were "identical". He was able to do so only because the eight had agreed to dispense with the Arab force, which was

the gravest source of disagreement. The eight looked on the verge of agreeing to such a force in June, but a month later the deal had foundered, largely over Egyptian and Syrian disapproval of Kuwait's preference for western guarantees for its security and the Gulf states' misgivings about the costs and feared social consequences of hosting contingents of non-Gulf troops.

The military component of the declaration now amounts to no more than the right of any signatory to call on military help from its fellows.

If Syrian, Egyptian and Saudi troops remain on Kuwaiti soil for the time being, this is largely as a result of bilateral undertakings outside the terms of the Damascus declaration.

All of the Gulf states meanwhile are pursuing further ambitious military procurement programmes and doing what they can to shore up their defences independently – with little to indicate these will have any sharper teeth than proved to be the case during the Iraqi invasiona year ago.

The Gulf states are no closer to taking their security effectively in their own hands than they were at the time of invasion. Should Mr Saddam Hussein, the Iraqi president, decide to repeat his adventure of last August - admittedly an unlikely prospect - only the remaining presence of US aircraft in and around the Gulf could deter him.

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COMPENSATION

Call for scheme to be extended to other countries

By Andrew Jack

TUESDAY'S surprise compensation offer for BCCI depositors in the UK has caused disgruntlement among individuals not covered by the proposal.

Those who held BCCI accounts in Scotland and the Isle of Man will be among those ineligible to claim. So will anyone who held deposits in any currency other than sterling.

In its offer of compensation in the High Court two days ago, the Abu Dhabi government recognised that there was a risk that its scheme would be viewed by other jurisdictions as discriminatory by favouring one national grouping.

However, it then dismissed the risk, saying the shareholders had considered the issue and decided the scheme met the concerns expressed by Mr Nicolas Browne-Wilkinson, the senior chancery judge.

Those excluded from the ruling were less sanguine. Mr Pierre Jaans, director of the Luxembourg Monetary Institute (LMI), called for a widening of the offer. "We welcome the fact the shareholders have made an advance for a deposit protection scheme in London," he said. "But this should be extended to BCCI's other locations."

Mr Michael Parkhurst, who had a large sum of money in BCCI in Gibraltar, said he was a British citizen and he felt compensation should extend to Gibraltar, which closed its branches in co-operation with the Bank of England. "I don't have a home, or any money and nobody gives a damn."

Others cast a note of caution for depositors in England and Wales. "There is a danger in assuming this crisis is over," said Mr Antony Gold, a solicitor at Alexander Tatham, the solicitors co-ordinating a national depositors' group. "There has just been an adjournment to see if restructuring can take place," he said. "There are an extraordinary series of difficulties to be overcome."

Mr Ernest Dartnell, a business consultant who had a "reasonably large sum" on account in Luxembourg, was calm. He said he had placed his money there when he was working overseas and was unsure whether he would receive compensation under the voluntary scheme since his deposit was in sterling.

"If I got nothing out I would hurt but I wouldn't scream," he said. "And if the Bank is restructured, I will certainly leave my money in."

TOUCHE ROSS

Abu Dhabi scheme under way

By Andrew Jack

DEPOSITORS with sterling accounts in English or Welsh branches of BCCI can expect to receive forms to claim for compensation under the Abu Dhabi government's scheme through the post by the beginning of next week at the latest.

Touche Ross, the provisional liquidator, is still preparing the form, which will ask depositors for details of their bank accounts and for some form of identification.

Under the Abu Dhabi compensation scheme, depositors will be eligible to receive 75 per cent of the value of their deposits, up to a maximum of £5,000. Those with non-sterling deposits, or with accounts outside England and Wales, are not entitled to any compensation under the scheme.

The London branch of the National Bank of Abu Dhabi has already received £50m for compensation payments to the 48,400 eligible depositors.

Anyone with difficulties in completing the forms can contact a Touche Ross helpline on 071-480 7766. The firm asks that depositors should not call until they have received the form, although anyone who is eligible and has not received one by the middle of next week should contact Touche Ross on the same number.

Touche Ross has posted cheques to BCCI employees for the balance of their salary for July. Their normal pay cheque will follow at the end of each month.

ARGENTINA

Police raid local branch

POLICE have raided BCCI's branch in Buenos Aires. The move was ordered by the judge handling a money-laundering case involving the sister-in-law of President Carlos Menem of Argentina.

Federal judge Maria Servini de Cubria is investigating an international money-laundering ring in which Mr Menem's sister-in-law, Ms Amira Yoma (left), and other former Peronist officials were alleged to have been involved.

According to witnesses' accounts in Argentine and Spanish courts, Ms Yoma, her former husband, Ibrahim al-Ibrahim, and Mr Menem's former campaign press director, Ms Mario Caserta, helped to transfer drug funds from the US to Argentina and Uruguay.

The judge declined to say whether the raid was linked to the money-laundering inquiry, a scandal that has harried the Peronist administration.

DEPOSITORS' PROTECTION SCHEME

Higher payouts loophole is closed

BRITAIN has closed a loophole in its bank deposit insurance scheme to prevent depositors with BCCI from manipulating their accounts to win a higher payout.

The Treasury said that from Tuesday, banking laws had been modified to ensure that BCCI depositors could not abuse the fund.

"This action is designed to prevent bank depositors with large deposits securing a higher level of compensation under the deposit protection scheme than parliament intended," the Treasury said.

The change in the law will ensure that depositors are eligible for only 75 per cent of their original deposit up to a maximum payout of £15,000.

The government is said to have learnt that some substantial depositors were trying to break up their accounts with BCCI through letters of assignment, splitting deposits into smaller tranches in the names of relatives or friends.

By breaking deposits into blocks of, say, £20,000, depositors could secure a far higher payout on money trapped in the closed bank.

Even though the bank was closed in the UK on July 5, it is still legally possible for a *depositor to break up a deposit* at any time before the bank is formally wound up.

That allows depositors to assign parts of their deposits to other people to benefit more from the scheme.

The Treasury order has now prevented that, but the position of depositors who have already assigned parts of their deposits before the order is unclear. The Bank said it would examine each case to see if there had been attempts to get round the terms of the scheme.

AGHA HASAN ABEDI

No query on extradition

MR Agha Hasan Abedi, the ailing founder of BCCI, will not be extradited to the US or any other country to face fraud and embezzlement charges, a government official in Karachi said yesterday.

The closure of BCCI's operations worldwide and the indictment of Agha Hasan Abedi were engineered by the West and Israel, said Mr Jam Sadiq, the highest elected official in Pakistan's Sindh Province, the country's financial hub.

A grand jury in New York on Monday indicted BCCI, four affiliates, Mr Abedi and former deputy Mr Swaleh Naqvi *on charges of fraud, falsifying* records and stealing.

Pakistan and the US have an extradition treaty but so far Washington has made no such request, Mr Sadiq said.

Mr Abedi retired from BCCI in September 1989 after having a heart transplant.

UK AUTHORITIES

Initiative starts to elude the regulators

By Richard Waters

THE UK authorities have lost the initiative this week in their actions against BCCI although regulatory and criminal action against the bank elsewhere has been stepped up.

On Tuesday, the Bank of England failed in its second attempt to have the bank wound up by the High Court. The day before, the Serious Fraud Office, which has mounted probably its biggest ever investigation in the BCCI case, saw criminal proceedings launched in the US which take the initiative away from its own inquiry.

The Bank of England had argued forcefully for the bank to be officially liquidated. Only that way could its UK depositors get the full benefit of the UK's statutory deposit protection scheme, it said.

Mr Brian Quinn, its head of banking supervision, said: "As a matter of public policy it is important that there should be an early winding-up and a full investigation of a company which has been run fraudulently."

One of the Bank's arguments had been that, even with a formal winding-up in place, it would still be possible for BCCI's majority shareholders to put together a restructuring of any parts of the bank that they wanted to save. That argument received short shrift from the court and from insolvency experts, who said that it was almost unknown for a company not to be liquidated once a winding up order had been approved.

In spite of the failure of the Bank's application, an earlier High Court order freezing BCCI assets and appointing provisional liquidators in the remains in force. Insolvency lawyers said that already meant that the Bank had fulfilled its regulatory objectives of protecting depositors. Also, the powers of provisional liquidators in the UK are as wide as those of full liquidators, suggesting that, there, much of the work that would go on under a formal winding-up was already in progress.

WORLD ROUND-UP

Local depositors in UAE may be compensated

THE UNITED Arab Emirates is considering compensating local depositors, the country's central bank said.

UAE bankers also said yesterday that they were cautiously considering taking over some regional BCCI operations.

Gulf bankers expect Abu Dhabi to continue to help bail out depositors, especially those with small accounts, but do not expect it to put more money into premature rescue operations.

The closure of BCCI has created hardship in the UAE economy because many traders, shippers, and businessmen have funds frozen in the bank. Bankers had expected that BCCI's 40 per cent-owned UAE subsidiary BCC (Emirates) might be used to rescue some of the regional BCCI business.

Bankers said other local banks, including Emirates Bank International, were interested in picking up some parts of BCCI, such as the Indian operations.

UK: The Abbey National bank may be called upon to make a contribution of up to £10m to depositors under the Depositors' Protection Scheme.

COLOMBIA: Representatives of Gilinsky Group, a Colombian company with interests in the financial, leather goods and food sectors, are negotiating to acquire BCCI's Colombian subsidiary in a deal that might be worth $13m (£7.7m).

ARGENTINA: The central bank has cancelled the operating licence of BCCI's local arm. Mr Manuel Domper, central bank director, said he was sure the central bank's board would *allow BCCI's local representatives* to wind up operations, sell assets and pay off creditors.

HONG KONG: The colony's government yesterday released a special report compiled by *the banking commissioner for* the governor, Sir David Wilson.

The government said the report, which contains confidential memos but little new *information*, showed that its handling of the case was correct. The government and the provisional liquidator are trying to find a buyer for the Hong Kong arm, a direct subsidiary of BCCI Holdings SA, *and has not been implicated* in the difficulties discovered elsewhere in the group.

MFA extended for 17 months

By William Dullforce in Geneva

EXPORTING and importing countries yesterday agreed to extend the Multi-Fibre Arrangement (MFA) which governs world trade in textiles and clothing for 17 months until the end of 1992. It was due to *expire at midnight yesterday*.

The 11th hour agreement was reached after the US had abandoned its bid for a 29-month extension and after Pakistan and India announced they would not block the extension.

These two exporting countries had been *holding out for a loosening of import* restrictions despite repeated refusals by the US and the EC.

Under the MFA, importing countries negotiate import quotas bilaterally with Third World producers, to prevent disruption of their markets to the detriment of their own producers. MFA deals cover about 65 per cent of the $196bn annual world trade in textile products.

Governments have undertaken to nego*tiate in the Uruguay Round trade talks an* agreement providing for the phasing out of the MFA and the application to textiles and clothing of the rules of the General Agreement on Tariffs and Trade (Gatt). Failure to complete the round on schedule last December left traders uncertain about *the situation that would prevail, if the* MFA expired yesterday.

Gatt's textiles committee said that the extension had been limited to just 17 months in the expectation that the results of the Uruguay Round would come into force immediately thereafter.

Extension of the MFA without improvements had not given the right signal to India at a time when it had just launched "root and branch reform" in its economic *and trade policies, Mr Balkrishan Zutchi*, Indian ambassador to Gatt, said.

Pakistan's ambassador, Mr Ahmed Kamal, criticised the importing countries' refusal to improve access to their markets or to loosen restrictions that had "turned the MFA into a semi-permanent instru*ment of (trade) protection*".

By contrast, Mr Allan Nightingale, executive chairman of the UK Apparel, Knitting and Textiles Alliance, saw the extension as "good news for the textile and clothing industries throughout the world."

EC plans cut in oilseeds subsidy to comply with Gatt

THE European Commisson yesterday proposed terms for EC compliance with a Gatt ruling against its oilseeds subsidies which amount to a move against opponents of its plans to overhaul the Common Agricultural Policy (CAP), writes David Gardner in Brussels.

The proposal takes the trade dispute with the US over oilseeds off the boil. Because it makes it more likely that Brussels will get its radical CAP reform plans through the member states, it brightens prospects for a successful end to the Uruguay Round trade talks, which hinges on farm subsidy reductions. EC agriculture ministers have to decide on a new oilseeds regime before October 31.

It is unlikely they will produce an alternative to the Commission's compliance suggestions. But because the proposed new subsidy system for oilseeds is directly linked to plans to reform cereals subsidies – the heart of the CAP reform – ministers will find it *difficult to avoid locking them*selves into the grand design.

The 1990 Gatt ruling found EC subsidies for soyabeans, sunflowers and rapeseed amounted to more than the difference between Community and *world market prices*, and therefore discriminated against outside producers.

The US soya farmers lobby has kept the issue at the forefront of US-EC trade relations, and in April Washington told the Gatt *that it would take* unilateral action against the Community unless the oilseeds regime was changed immediately.

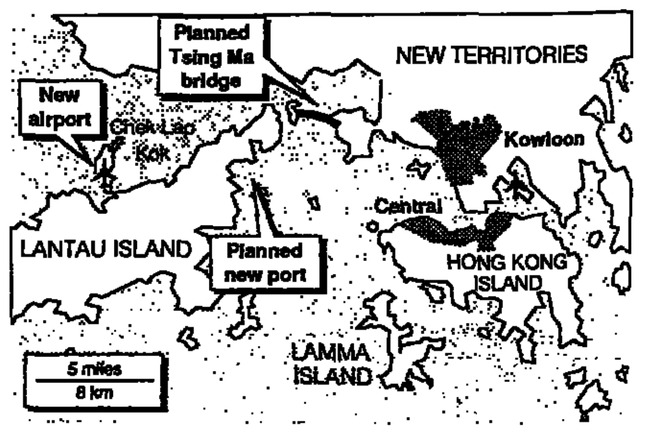
The proposals, to take effect from the 1992-93 farming year, would abolish *subsidies paid* through the processing industry and compensate farmers by paying them the world market price plus direct compensation for lost income. This is what the Commission wants to do *with cereals, where it wants to* slash prices to near world market levels and refund farmers directly for the difference. So correlated are the oilseeds and cereals regime that if farm ministers agree one set of proposals alone *they risk* plunging EC agriculture into chaos.

Hong Kong invites tenders for airport bridge contract

By Angus Foster in Hong Kong

HONG Kong yesterday invited tenders for the first major contract related to the colony's new airport plan, a 1,377m suspension bridge which will provide road and rail access to the new airport.

Five consortia have pre-qualified for the HK$6.39bn (£491m) contract and tenders are due by December 16. The tender period has been shortened to make up for time lost when the airport was in doubt because of disagreement between Britain and China, since resolved. The *contract will be awarded* early next year and work will start immediately. The bridge will take five years to build and is still due to be finished in time for the opening of the new airport in 1997.



Called the *Tsing Ma bridge*, it will link with a viaduct and another bridge to form the Lantau Fixed Crossing. The *Tsing Ma* bridge will have to withstand the region's frequent typhoons and will become the world's longest suspension bridge capable of carrying road and rail traffic. A HK$2.48bn contract for the viaduct and second bridge is due to go out to tender at the end of this month.

Consortia which are understood to have pre-qualified are; a British-Japanese group, Trafalgar Costain Mitsui; an all Japanese consortium called Nishimatsu; Hong Kong Inter*national Consortium, which* includes Hochtief of Germany, Bouygues of France and American Bridge; and two consortia linking Hong Kong companies with either German or Japanese partners.

Some of the consortia are now looking to bring in new members from China following the agreement. Chinese companies are keen to become involved in the new airport *projects and could carry* out site formation and steel assembly work for the bridge.

Political flak hits BAe sale to Iran

Scheherazade Daneshkhu on US motives for blocking aircraft deals

THE row that erupted last week between the British and US government over the export of six British Aerospace 146 airliners to Asseman Airlines, an internal Iranian carrier, underlines the political sensitivity of US-Iranian relations.

The American government said its decision not to grant a re-export licence to BAe for the aircraft, which contain US-made components, was taken because of Iran's failure to help win the release of American hostages held by pro-Iranian groups in Lebanon.

Last week, Mr Peter Lilley, the British trade and industry secretary, attacked the blocking of the sale as inconsistent, given the recent US approval for the export to Iran of similar aircraft by Fokker, the Dutch aircraft manufacturer.

The US element in the BAe aircraft is 16 per cent, only slightly higher than the 13 per cent contained in the Fokker F100s. Both have US avionics but the BAe-146 also has an American engine – the ALF502 – made by Textron Lycoming, a big US industrial *and* defence conglomerate.

Both types of aircraft exceed the 10 per cent of US-made components that US export control regulations demand as necessary for US re-export authorisation.

Iran was subjected to a trade embargo by the US after the storming of the American embassy in Tehran in 1979 by revolutionaries who took diplomats hostage.

Over the past year, however, there has been a thaw in US-Iran relations. President

Flight to Iran postponed: A BAe-146 short-haul airliner

George Bush approved a decision last November to allow some imports of Iranian oil.

Payments go into a security account at the Hague to compensate US claimants for losses sustained after the revolution. Coastal Corporation and Mobil have since purchased Iranian oil. US trade figures show trade between Iran and the US standing at $160m (£95m) in 1990 compared with nil the two previous years.

The decision to bring up the hostage issue at this stage suggests that the US is playing a carrot and stick game with Iran in the hope that it will exert further pressure on the Lebanese groups holding six Americans hostage.

Iran remains on the State Department's list of six states that sponsor international terrorism. The others are Iraq, Syria, Libya, North Korea and Yemen. "We do not favour normal political, commercial and diplomatic relations with Iran until the hostages are free and it has ceased supporting terrorism," a State Department spokesman said last week. Nevertheless, the US has been diplomatically active with Syria in an attempt to forge a Arab-Israeli peace conference.

Iran's civilian air fleet comprises US Boeing and European Airbus airliners. Spare parts for the Boeings have been bought on the open market, mainly through third party countries. "It's quite easy," said a former manager of Iran Air. "You can buy US spare parts, despite the trade embargo, indirectly from countries such as Thailand."

Maintenance for Iran Air is carried out by the German carrier Lufthansa in Frankfurt. The Iranian government says that it is able to carry out repairs itself on JT9, JT3D and TF30 engines from Boeing 707s and 747s as well as engines on military aircraft.

On the military side, Iran has been able to obtain armaments despite the arms embargo. A report published in the Tehran daily, *Jomhuri Islami*, last year said that Iran spent just under $12bn on military purchases during the war. North Korea was the largest supplier, according to the report, with sales worth $2.4bn, followed by countries of the former Warsaw Pact, with $1.92bn, *China* with $1.6bn, Nato countries with $1.43 bn, other European countries with $1.75bn and Middle East and African countries with $790m. Argentina and Brazil are also thought to be involved with *Iran on the military side*.

Last year, the British aviation company, Martin Baker, admitted it had supplied Iran with spare parts for its US-made F-4 Phantom jets and F-5 Tigers since 1988, despite the arms embargo.

The war and the trade embargo as well as a shortage of spare cash have prevented Iran from buying civilian aircraft since the revolution.

Yet the country has now embarked on a reconstruction programme following the ceasefire with Iraq and it is looking to expand its fleet. The increase in population from 36m in 1979 to 56m has contributed to high demand for flights.

Mr Hassan Shafti, the managing-director of Iran Air, has said that the airline carried 500,000 more passengers in the first six months of 1990 compared with the same period the year before. "Iran Air flight hours increased by about 22 per cent in that period," he said in the daily, *Kayhan*.

The deal with the Netherlands to buy the 12 Fokker 100 airliners last year (against *which BAe also competed*) was the first significant purchase of civilian aircraft since 1979.

MHI in Y10bn Iran tyre contract

By Robert Thomson in Tokyo

MITSUBISHI Heavy Industries (MHI), the Japanese heavy machinery maker, yesterday announced a Y10bn (£43m) tyre production plant order from an Iranian state-owned company, Kerman Tyre and Rubber Complex Co.

The contract, which comes as Japanese confidence is growing in trade with Iran, includes 39 tyre vulcanisers and 15 tyre making machines for a complex that will have the capacity to produce 500,000 tyres annually for cars, buses, and trucks.

MHI said that, with the assistance of Mitsubishi Corp, the trading house, it had obtained a letter of credit covering the entire cost of the contract, under which equipment will be delivered in July next year. The company will also send specialists to Iran to oversee the scheduled completion of the complex in March 1993.

Japanese companies had been wary of business with Iran following the decade of problems suffered by the Mitsui group in a $5bn petrochemical joint venture. Construction of the plant was disrupted by the Iranian Revolution, and the partly-completed complex was then badly damaged by Iraqi bombing in the Iran-Iraq war.

- Japan's Ministry of International Trade and Industry (Miti) paid Y77.7bn in trade insurance to Japanese investors in the joint venture yesterday, a MITI official said, Reuter reports from Tokyo.

It was the highest amount ever paid by MITI in trade insurance. Japan and Iran ended the partnership in February 1990.

ABB to build Dr20bn plant in Crete

By Kerin Hope in Athens

THE Greek Public Power Corporation (DEH) *has signed* a Dr20bn (£62m) contract with Asea Brown Boveri, Europe's largest electrical engineering group, to build a 132-megawatt power station on the island of Crete.

The turnkey project is for a combined-cycle plant including two gas turbines, two heat-recovery steam generators, and a *steam turbine. It will be built* beside an existing 101MW gas-turbine plant at Hania in western Crete.

The plant will be diesel-fuelled at first but will be able to switch to natural gas when a distribution network for Soviet natural gas, now beginning construction in northern Greece, is extended. The plant is to be completed in mid-[illegible], but a DEH official said that in order to meet increasing demand for electricity in Crete the first gas turbine would start operating early in [illegible]. Electricity consumption on the island is growing at 8 per cent annually, twice the rate in the rest of Greece, he said.

Councils to compete for city funds

By Ian Hamilton Fazey

VIRTUALLY all government money for inner-city regeneration in England and Wales is to be opened to competitive bidding between cities and towns, Mr Michael Heseltine, the environment secretary, announced yesterday.

Over the next few years, less and less inner-city funding will be distributed according to formulae based on a variety of statistics.

To win a share of budgets worth hundreds of millions of pounds, cities will have to demonstrate partnership with the private sector and community support for regenerative projects. They will have to prove they need the money, specify what they will do with it, and make proposals to cut bureaucracy.

The shift in policy came as Mr Heseltine indicated the 11 cities and towns which will share £410m over the next five years under the experimental City Challenge scheme, on which the new policy is modelled.

He said: "This is about local opportunity. It is about encouraging local leaders to act in the widest interests of their communities and genuinely form partnerships with central government and the private sector."

Toyota aims for 90% European car content

By John Griffiths

TOYOTA is understood to have set a long-term goal of 90 per cent European content for its 200,000 cars-a-year plant due to go on stream at Burnaston, central England, in December next year.

This would require the construction of a transmission plant, as well as the £700m car facility at Burnaston and £140m engine plant due to go into production on Deeside, Scotland, next September.

The 90 per cent is well in excess of the formal 'local content' undertakings it has made publicly, of 60 per cent by August 1993 and 80 per cent two years later.

Last night Toyota would neither confirm nor deny that a transmission plant was under consideration.

The company, however, has previously indicated that the 80 per cent level could not be exceeded because the Burnaston project required gearboxes and some specialised engines to be imported.

The gearbox is one of the highest value components of the average car, typically accounting for around 8 per cent of the content value.

While it is known that Toyota intends to export a small proportion of Burnaston's production for sale in Japan, it is also beginning to emerging that the Deeside engine facility is likely to produce more engines than can be absorbed by the Burnaston plant alone.

The excess output of 1.6 litre and 1.8 litre engines is expected to go to the US and Canada, for fitment to North American-built Corolla models, and possibly to a Toyota assembly plant in Turkey.

Meanwhile, Toyota Motor Manufacturing of the UK has released more details of the 150 European component makers it has chosen to supply prototype parts for the Burnaston factory.

Around half are UK based, and include Lucas, GKN, Dunlop, Pilkington's Triplex subsidiary, BTR and Pirelli, whose Burton-on-Trent factory almost adjoins the Burnaston site.

The supplier developments came as the European Commission ordered Toyota to pay Derbyshire County Council £4.2m, following a Commission ruling that the car company received hidden subsidies when buying the 580-acre Burnaston site.

Toyota, the Japanese car group, paid £18.3m for the site but an independent valuation prompted by Brussels put a price-tag of £22.5m on it.

The European Commission said yesterday that the difference constituted illegal state aid to Toyota. It has asked the British government to make sure that Toyota refunds the cash to the council.

"The Commission assumed that a private commercial vendor in similar circumstances and in the absence of alternative offers would have had the site professionally valued before seeking to ensure that the subsequent sale price was at least equal to the resulting valuation," said a statement.

The Commission added, however, that it had always accepted that the UK government had not intended to grant aid to the car manufacturer, and that Toyota had not sought a subsidy.

Burnaston is not an area eligible for EC regional aid, so there was no justification for Toyota being able to buy the site at anything less than market value, said the Commission.

Toyota "was surprised and dismayed" by the decision. It stressed that it has not sought any state aid for the project. It would seek government advice on how to respond, but is thought to be anxious to settle through a prompt payment.

Japanese car maker selects 130 suppliers

By John Griffiths

HONDA has chosen the 130 component suppliers for its 100,000 a year cars plant at Swindon, west of London, which is due to come on stream in late 1992.

A company spokesman yesterday confirmed that the decisions had been made, but with the Swindon facility closed for summer holidays was unable to disclose the identities of all the successful suppliers.

They will share business estimated by Honda of the UK Manufacturing (HUM) to be worth £600m-£800m after the plant reaches full production, with at least 80 per cent European content for the cars, in the mid-1990s. UK suppliers are expected to account for about 50 per cent of the total.

It is understood that the list includes most of the UK's biggest component groups, together with Robert Bosch of Germany whose £100m alternator plant at Miskin, near Cardiff, is now on stream.

Unipart, the former Rover Group parts and accessories subsidiary, confirmed yesterday that it is to supply the exhaust systems, catalytic converters and fuel tanks of the new car, which is to be produced under both the Honda and Rover badges.

It has invested £7m in a joint venture near Coventry to produce catalytic converter systems, starting in September next year. The venture is with Yotaka Giken, one of Japan's biggest producers of catalytic systems.

GKN and Lucas Automotive are also understood to be among the successful suppliers. The components are for an upper-medium sized car codenamed the Synchro, which will go into production on a single shift basis is September 1992.

The cars will supplement Honda's existing range. Some models will also be badged as Rovers and these will replace the Rover's current Montego range built at Cowley, near Oxford.

Both Cowley's South Works, which produces the Montego and Maestro, and North Works, which makes the executive Rover range, are due to close within the next three years.

The Honda venture is already employing 660 people on engine production, which began in late 1989, and other activities such as testing and final preparation of current vehicles. Last year it produced 75,000 engines with this year's output expected to rise to 109,00. Eventually, the engine plant is expected to produce 200,000 units a year.

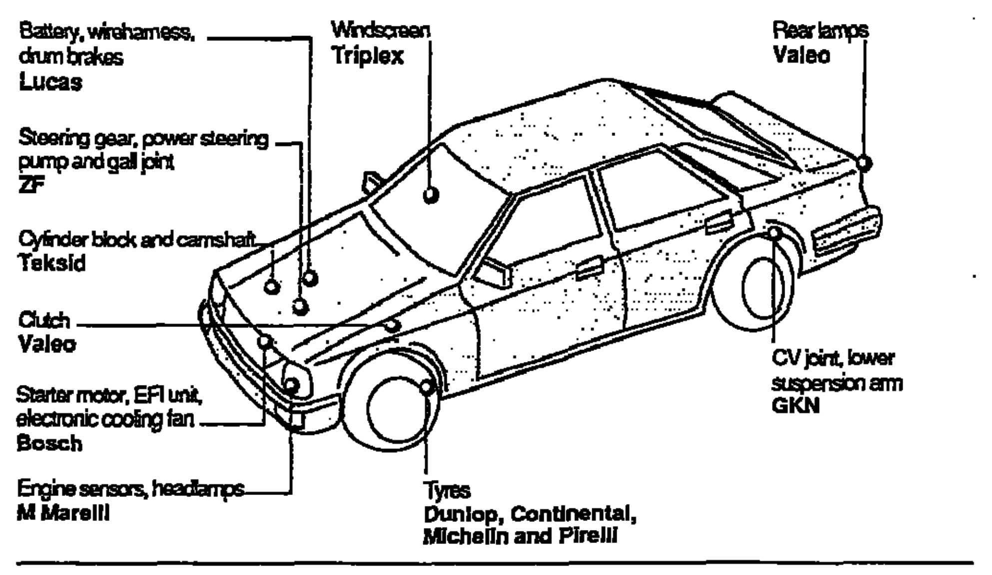
When in full production the Honda project will employ directly some 2,000 people.

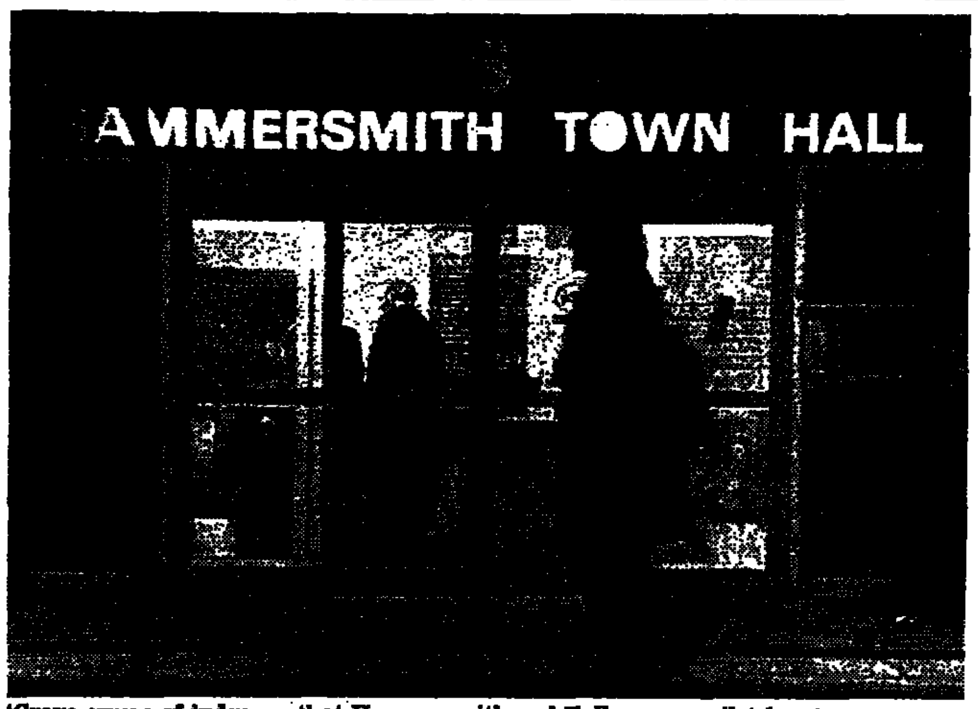
It is already starting to draw component suppliers towards the Swindon area, which is also the home of Rover Group's pressings facilities.

Among them is Bertran Faure Automobile, a French seating manufacturer, which has applied for planning permission to build a 117,000 sq ft factory at Shellingford Aerodrome, 15 miles from the Honda plant.

Property agents in Swindon say they are also talking to several other component makers.

HONDA'S MAIN EUROPEAN SUPPLIERS





'Grave errors of judgement' at Hammersmith and Fulham council (above)

Council risked huge losses through interest-rate swaps

By Tracy Corrigan and Raymond Hughes

THREE PAST and present council employees were responsible for the potential losses of hundreds of millions of pounds run up a London council in the swaps market, according to an independent inquiry published yesterday.

The 850 page report on the activities of Hammersmith and Fulham Council absolves all elected councillors, on the grounds that they did not know about the transactions.

The swaps mostly involved the exchange of fixed-rate for floating-rate interest payments.

The council was involved in more than 550 transactions between 1983 and 1989. At its peak, the council's exposure was close to £3bn, accounting for as much as 10 per cent of the global sterling swap market, according to the report.

The council was saved from the potential losses on swaps earlier this year when the House of Lords ruled that all such agreements entered by councils were illegal and could not be enforced by banks.

Eighty banks face losses of about £600m on swap transactions with 130 councils as a result of the ruling.

The three council officials named are: Mr Clive Holtham, former director of finance; Mr Lindsay Robb, another former director of finance, and Mr Terry Price, currently deputy-director of finance.

A preliminary investigation by the council will be held into the role of Mr Price, who is criticised for misunderstanding the risks involved and for the shift in strategy from debt management to speculation.

Mr Iain Coleman, leader of the Labour-controlled council, said yesterday that there had been "grave errors of judgement" by council officials but added there had been "intense pressure" on councils as a result of the financial squeeze by central government.

The report, produced at a cost to the council of £400,000, shows that the management of swap transactions was riven with inadequate control of financial risk, failure to follow reporting procedures, and a lack of understanding of financial markets.

The report is likely to add to pressure for the internal management of councils to be restructured.

BRITAIN IN BRIEF

Iraqi exports were vetted says Major

Mr John Major, the prime minister, responded to Labour party attempts to stoke the political furore over the export of militarily-sensitive goods to Iraq by accusing the party of impugning the "integrity and professionalism" of officials.

He told Mr Gordon Brown, the Labour opposition's trade and industry spokesman, that all applications for export licences to Iraq prior to the invasion of Kuwait would have been "carefully-vetted". The Department of Trade and Industry will next week send MPs a memorandum setting out details of goods licensed between January 1987 and August last year.

Lamont insists recovery on way

Mr Norman Lamont, the chancellor of the exchequer, held to his prediction that UK economic recovery would start in the second half of this year despite Tuesday's bleak industrial trends survey from the CBI. Mr Lamont, interviewed on BBC Radio before leaving on a trip for Moscow, indicated that the government would continue to resist CBI pressure for an early cut of at least one percentage point in interest rates.

Call for postal liberalisation

Britain should demonopolise its postal services and abandon uniform letter prices in order to encourage the EC to adopt a liberal postal service policy, according to a report by the Institute of Economic Affairs.

The report argues that the forthcoming EC green paper on the future of postal services in Europe is likely to recommend the continuation of national monopolies, intra-EC trade restrictions, an EC-wide uniform letter price and regulation from Brussels.

Increase in insurers

The number of insurance companies active in the UK rose to 839 last year from 832 the year before, according to the DTI's Insurance Annual Report. Following implementation of the EC non-life services directive, 21 companies with their head office elsewhere in the EC became entitled in 1990 to carry on general insurance business in the UK.

Insolvency orders rise

The government's Insolvency Service has obtained more than 1,000 disqualification orders against incompetent, dishonest and negligent company directors since 1987, said Mr John Redwood, DTI corporate affairs minister.

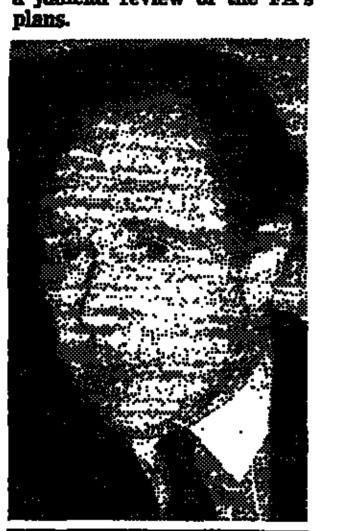
BR faces action over service

British Rail was issued with seven summonses in county courts by commuters backed by the Consumers Association. All of the actions are brought by individual travellers. Four involve poor service on daily journeys, and three concern serious disruption to travel plans.

Football super league nearer

Mr Arthur Sandford, chief executive of the Football League, pictured below, shortly after a judge had given a ruling that could lead to the creation of a football super league by next year.

The court ruled that it was within the rights of the Football Association, the game's governing body, to establish a premier league. The Football League, which runs the four existing divisions, had sought a judicial review of the FA's plans.



Vauxhall chief returns to US

Mr Paul Tosch, who steered General Motor subsidiary Vauxhall through four successive years of record profits, is relinquishing his job as chairman and managing director at the end of this month.

He is returning to the US to become to general manager of GM's Harrison components division, and will be succeeded by Mr William Ebbert, presently group director of business operations at GM's Automotive Components Group in Michigan, US.

Thames wins union approval

Thames Water, Britain's largest water utility, has won union approval for a "single table" bargaining arrangement in which three separate sets of negotiations will be replaced by one.

Helicopter contract delay

The decision for the prime contractorship of the controversial EH101 helicopter, which was due by the end of this month, has been delayed. However, Mr John Major, the prime minister, said the contract would be awarded "well before the end of September".

Irish president to visit US

President Mary Robinson of the Irish Republic will visit the US from October 12-21, the Irish government has announced.

British Gas pressured to reduce industry prices

By Deborah Hargreaves

AN ULTIMATUM for British Gas to reduce prices for power station customers by the end of the week came yesterday from the industry regulator which has threatened to force the cuts.

The warning from the Office of Gas Supply (Ofgas) follows a stormy meeting last week between Mr Robert Evans, chairman of British Gas, and Mr John Wakeham, energy secretary. Mr Wakeham is believed to have put pressure on the company to end the five-month row about the price of gas for power stations.

British Gas is now believed to be putting the final touches to a new price schedule that will offer a significant reduction in price to power station gas buyers. But this will apply to a small portion of gas.

The small amount covered will spark off a frantic rush among companies planning to build 18 independent power generating plants to tie up gas supplies at the reduced price.

Once all of this is taken, British Gas is understood to be planning an overnight increase in price to cut off demand again. It was the company's decision to raise prices by 35 per cent in March that started the row.

Mr Wakeham has exerted pressure on British Gas to try and resolve the issue without resorting to litigation. He can now apply a stronger lever to the company since the Office of Fair Trading will deliver this week a report assessing the development of competition in the gas market.

Letters, Page 11

MPs say Atomic Weapons Establishment plagued by fundamental weaknesses and inefficiencies

'Managerial mess' at N-weapons plant

By Paul Abrahams

A CROSS-party committee of MPs delivered a serious indictment of management at Britain's Atomic Weapons Establishment (AWE), in a report published yesterday.

One member of the Public Accounts Committee described the position at AWE, which develops and manufactures Britain's nuclear weapons, as a "managerial mess."

The committee said the managerial systems at AWE contained fundamental weaknesses and inefficiencies that did not encourage manufacturing to be completed on time or at cost. These had existed for many years. Lack of control over research also meant no one knew what work remained to be done.

Ministry of Defence officials told the committee that "such things as completing jobs in the workshops to time were not the main priority for research engineers or the people who had been running the AWE.

"The department recognised that the ethos of the AWE had been that work was fed into the workshops, target times were specified and then 'if they happen, they happen and if they do not, they do not.'"

The committee was also told that AWE has still not succeeded in transfering management information into computers, although it has been trying to do so for the last eight years, said the committee.

The MoD said the AWE was staffed at higher levels almost entirely by brilliant nuclear scientists who were not well informed on management information systems and did not regard this matter as their highest priority. This was in spite of the fact that without such systems it was very difficult for them to determine what research work remained to be done.

The committee said it was surprised and disappointed that weaknesses remained in this straightforward area. The MoD accepted that management information systems at AWE "left something to be desired."

A £1bn capital works programme for the Trident programme is three or four years late, according to the MoD.

The ministry said the main reason for the delay was that an enormous civil engineering programme had been managed by nuclear scientists. However, this would not affect delivery of the Trident warhead programme.

The committee criticised the MoD for not establishing a strong capacity within the department to probe and challenge research plans, costs and achievements at AWE. It said it expected the MoD to operate as an informed customer and should have reacted much earlier to problems some of which were revealed as early as 1985.

Meanwhile an interim management contract has been awarded to Hunting Brae, a consortium of Hunting Engineering, Brown and Root, Vickers and AEA Technology. A new chief executive and senior managers have been put into place by the consortium.

UK water chiefs try to dilute regulator's proposals

Daniel Green examines claims that Ofwat has succumbed to political pressure over financial returns

SENIOR FIGURES in UK water companies yesterday attacked the industry's regulatory body, Ofwat, saying it had succumbed to short term political pressures in its proposals to tighten controls on dividend growth.

They were responding to a consultation paper from Mr Ian Byatt, the director general of Ofwat, in which he said that investors in the water companies should not be rewarded with returns above those generally available in the financial markets. He said: "There are reasons why they should be content with less given the low risk and security of the water shares."

One water company finance director said that government officials might have guided the regulator in response to publicity given to pay increases for privatised industry company chiefs, including some in the water industry, and policy statements from the opposition Labour Party which emphasise the rights of consumers as opposed to shareholders.

"Let's be quite blunt, we're in election season," said another. "Ofwat is responding to political pressure. Water is the one privatised industry where prices are increasing in real terms."

He described as "weasel words" the regulator's statement that he would respect promises on flotation of a progressive dividend policy from water companies, and the low risk view of his business as "a popular myth".

Although the paper is for consultation only, with comments to be submitted by November 30 1991, it generated a sharp reaction in the water companies' share prices.

Since mid-afternoon on Monday, water sector shares have lost almost 4.5 per cent of their value, equivalent to a fall of £320m in their market value. The worst hit was South West Water whose shares fell almost 6 per cent.

There are three main changes in policy outlined by Ofwat:

- Gearing. After 1995, the water companies' gearing could rise to 50 per cent or even 75 per cent. This compares with a typical 35 per cent seen as an upper limit before that date.
- Cost of capital. On flotation, the cost of capital was estimated to be 7 per cent. The proposal is to reduce this to 5 or 6 per cent. Since it is part of the formula used to calculate the pricing regime (the so called K-factor, related to retail price inflation), reducing it will limit price rises.
- Dividends. On flotation real dividend growth of 4 per cent was anticipated. The consultation document says this should be reduced to 2 per cent before 1995 and zero thereafter.


Testing the water: Ian Byatt (above) has provoked a strong industry reaction

The proposals represent the latest stage in the toughening up of a regulator whose avowed intention two years ago, ahead of the companies' flotations, was to take an "arm's length" approach to regulation.

In August 1989 Mr Byatt said of the water companies: "They must be able to make management decisions without undue interference".

There is still a great deal of flexibility in what water executives can do. The proposals relate only to the companies' core businesses. Indeed, the regulator has no remit to consider, for example, waste disposal operations.

Although Ofwat has proposed limits on dividend rises, shareholders may be able to earn greater returns than those specified either through efficiency gains or expansion into non-core businesses.

The water companies say they will redouble their efforts to diversify into new areas if Ofwat's recommendations are set in stone. Severn Trent says that it anticipated a tightening of the regulatory environment and planned accordingly: in May it paid £212m to industrial services group BET for the Biffa waste disposal business.

The gist of the consultation paper was not a great surprise to the rest of the industry either. In May, a letter to the water companies from Ofwat warned that unexpectedly high profits should be used to increase capital spending rather than pay "excessive" dividends.

The water companies did keep their dividend payouts low in their results season, but at higher levels of profitability than anticipated by Ofwat. The regulator's position is that the level of return on investment typical for the high inflation 1980s is not necessarily applicable for the 1990s.

The industry replies that while this may be true, the licence under which they operate does not have a mechanism for reversing changes to levels of expected return on capital if, for example, interest rates were to rise again in the mid-1990s. They add that, far from reducing risk, the proposals to allow gearing to rise will increase it.

While there are still doubts over the extent to which to which Ofwat will transform its thoughts into actions, the fact remains that it is breaking ground untouched by other utility regulators. "There should be a great deal of worry about what it has said," said one City analyst. "This is loudest sabre rattling that we've heard from any regulator."

Cost of Capital, A Consultation Paper. Office of Water Services, July 1991.

MANAGEMENT: Marketing and Advertising

Agency remuneration

Dirty tricks put commission under strain

By Alice Rawsthorn

Advertising is a congenitally indiscreet industry. But the one topic which guarantees discretion is the question of how agencies are paid.

This summer the thorny issue of agency remuneration has leapt into the limelight. Last week the Incorporated Society of British Advertisers, which represents the agencies' clients, caused consternation by proposing that agencies should be paid according to a sliding scale of commissions which would, in general, be lower than present levels.

At the same time the agencies are beset by allegations that they have been overcharging clients for the production of press advertisements. And a few weeks ago, the Miller and Leeves WAHT agency was fired from the Department of Transport account after the discovery that one of its subsidiaries had failed to refund a discount to its client.

Accusations of dirty tricks and the threat of reduced remuneration would be unwelcome to the ad industry at any time. But the current controversy comes when agencies are under intense financial pressure because of the recession.

Traditionally, UK agencies have adopted the standard system of remuneration pioneered in the US whereby they are paid a commission of 15 per cent of their clients' advertising expenditure.

The shortcomings of this system are obvious. Payment by commission makes it very difficult for agencies to predict their income. This has been aggravated during the recession when clients have often been forced to cut advertising budgets at short notice.

"A client might propose spending £1m on a television campaign, but then cut the budget to £500,000," says Mike Walsh, chairman of Ogilvy & Mather. "The agency's income is halved but it is still left with the same overheads."

Similarly, the commission system means that clients also find it difficult to forecast how much they will spend. Clients cannot fail to suspect that agencies' advice is not entirely unbiased, since it is in their interest to encourage as much spending as possible.

As a result, a number of advertisers, notably BT and Bass, have switched from payment by commission to pre-negotiated fees. This trend has been accentuated by the growth of centralised media-buying – whereby clients separate responsibility for buying media time and space from the rest of their advertising – and by the expansion of other forms of marketing, such as sales promotion and public relations, where remuneration tends to be fee-based.

Five years ago, BT adopted a policy of paying its agencies fixed fees. Mike Bowtell, controller of advertising, says the fee system gives it "tighter control of costs and ensures there is a more direct relationship between what we get and what we pay".

Some agencies are encouraging the trend towards fees. Howell Henry Chaldecott Lury, a young London agency, has devised a system whereby it and its client agree an hourly fee – based on its budgeted costs plus 20 per cent – subject to a maximum and minimum level. The agency then records the amount of time spent on each account and is paid monthly.

"It means we know roughly how much we will earn and the client knows how much it will spend," says Rupert Howell, managing partner. "The commission system is an anachronism. Advertising agencies should be paid by fees like lawyers, accountants or any other business partner, not like estate agents."

However, the general trend in advertising remuneration has not been away from commission to fees, but towards lower levels of commission. Some clients, notably Procter & Gamble, still pay the traditional 15 per cent – but they are the exceptions.

Some types of account, notably multiple retailers and government privatisation programmes, operate on far lower commission levels of between 7 and 8 per cent. Other clients try to haggle with agencies as much as they can. One computer company touted its account around at a measly 2 per cent. It eventually found an agency to take it on but has not revealed what the final commission was.

This variation in commission levels has further distorted the market. Cynics in the industry suspect that it has led to an increase in agency malpractice.

"Agencies can only afford to take on accounts at low levels of remuneration either by 'subsidising' them with the revenue from clients paying higher commission or by making up the extra revenue by padding out production bills," says one agency head.

The issue of production costs has come to a head this summer thanks mainly to the efforts of Bob Holt, who recently left Saatchi & Saatchi to start up his own business auditing the costs of producing press ads. He claimed at a recent conference that five out of six of the budgets turned out to be at least 30 per cent higher than he considered a 'reasonable' market rate.

Holt accuses agencies of padding out their print production bills via a number of ruses ranging from invoicing clients for unnecessary work, to negotiating bulk discounts with suppliers but not passing them on to the clients.

His accusations, which follow a few years after a similar rumpus over film production bills, have been denied by the agencies. However, the Institute of Practitioners in Advertising, which represents the agencies, is joining forces with ISBA to discuss an initiative to stamp out such abuses.

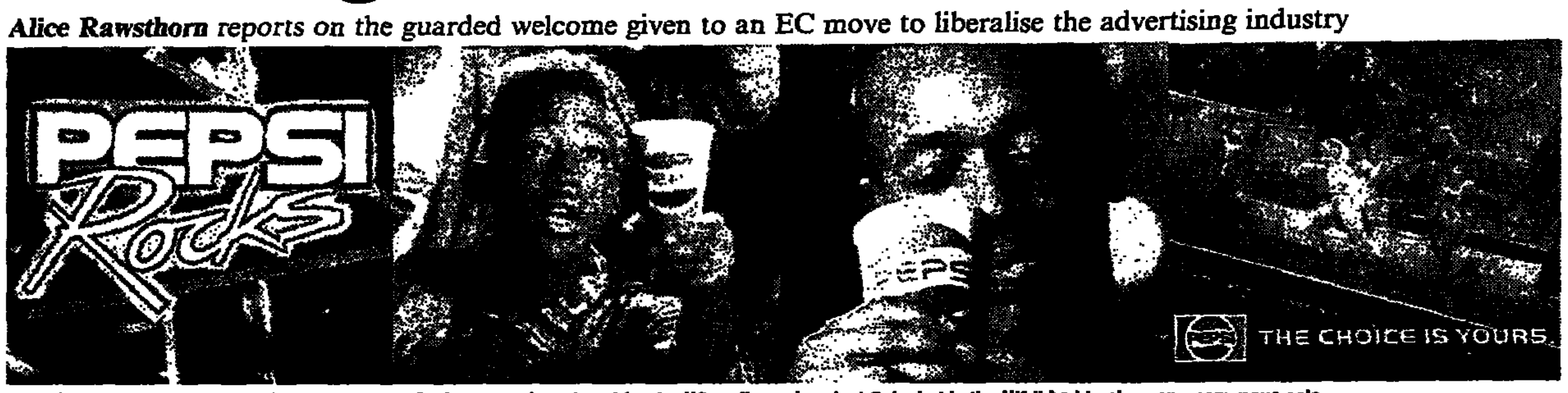
It is against this background that ISBA has produced its guidelines for advertisers on the whole topic of remuneration. ISBA proposes a sliding scale of commissions ranging from 15 per cent for accounts of up to £1m, to 8 per cent for accounts worth more than £3.5m. These proposals are already coming under fire from the IPA.

"The present remuneration system is undoubtedly unfair," says Peter Mead, chief executive of Abbott Mead Vickers and IPA president. "The problem is that many, many people have tried to come up with a better alternative and, so far, no one has succeeded."

European deregulation

Removing constraints on 'knocking copy'

Alice Rawsthorn reports on the guarded welcome given to an EC move to liberalise the advertising industry



Pepsi has long resorted to knocking copy: the M.C. Hammer ad produced for the US audience knocked Coke but in the UK it had to show an anonymous cola

The European Commission's apparently endless stream of proposals and counter-proposals on advertising regulation has until now been greeted with groans by Europe's advertising agencies. Not surprisingly, they are concerned that regulation will impose undue constraints on their work.

However, there is one exception. The recent proposal to permit comparative advertising – whereby advertisers are allowed to promote their own products by comparing them with those of their competitors – actually removes constraints on the agencies rather than imposing new ones.

"Anything in our armoury which gives us a new way of differentiating between one product and another has got to be welcome," says Mike Greenlees, joint chairman of Gold Greenlees Trott, one of the larger London agencies.

However, the path towards the proposed liberalisation of comparative advertising – or "knocking copy", as it is often called – seems far from smooth.

First, Karel Van Miert, the commissioner of consumer affairs who tabled the proposal, has also mooted a series of restrictions on the use of comparative ads. Second, it is not clear how member states will be expected to monitor knocking copy and what sanctions they should take against transgressors.

"Knocking copy" has been common currency in North American advertising since the 1960s. The commercial breaks on the US television networks are crammed with ads in which 'Brand A' bashes 'Brand B', or 'Brand X'. One recent estimate suggested that nearly a third of network television commercials are comparative.

Wendy's, the fast-food chain, once taunted its arch-rival, McDonald's, with a series of "Where's the beef?" advertisements. The current campaign for British Knights sports shoes attacks Nike's successful Air range with "Your mother wears Nike" ads.

PepsiCo has frequently resorted to knocking copy in its long-running assault on Coca-Cola. The latest Pepsi commercial shows M.C. Hammer, the rap music star, horrifying his fans by slipping into a syrupy, sleazy singing voice after drinking Coke. A member of the audience comes to his rescue by offering him a can of Pepsi. M.C. Hammer's voice returns to its usual streetwise rapping tones.

These ads would not be allowed in most of Europe; the only country where comparative advertising is specifically banned is Luxembourg. But knocking copy falls foul of trademark protection legislation in most other countries, including France and the Netherlands. In Germany it is prohibited under unfair competition law.

Spain and Portugal do permit comparative advertising. It is also allowed, subject to fairly tight restrictions, in the Republic of Ireland, Denmark and the UK.

Pepsi produced a different version of its M.C. Hammer commercial for the UK in which the Coca-Cola can is replaced by an anonymous soft drink.

This motley assortment of national rules and regulations would be swept aside under the Van Miert proposals, which were approved as a draft directive by the Commission in May. Under the present proposals, comparative advertising will be permitted throughout the European Community providing it does not denigrate another product or capitalise on the trademark of a competitor.

In theory this ought to allow Europe's ad agencies to use comparative ads to attract attention to new products, or to revitalise established brands. In the US, for example, comparative campaigns helped the rise of Federal Express at the expense of the US postal service, and launched Total, a new General Mills cereal, in competition with Kellogg's Corn Flakes.

At the same time, the restrictions against denigrating other products or against capitalising on competitors' trademarks should prevent agencies from abusing their new-found freedom.

However, the European advertising agencies are concerned that the theory of liberalising comparative advertising will not work out in practice. One concern is the risk of misinterpretation.

"Just think of all the possible interpretations of the word 'denigrate'," says Alastair Tempest, director general of the European Advertising Tripartite in Brussels. "It looks like a legal minefield."

Another concern is the Commission's decision to leave the regulation and implementation of comparative advertising to the discretion of individual member states. This could create a situation where the rules and regulations covering comparative advertising in different countries are as patchy as ever.

"While we welcome any initiative to deregulate advertising, it is regrettable that the Commission should have started with such a tricky subject and one that attracts so much controversy in some countries," says Tempest.

But it is not only in Europe that comparative advertising is attracting controversy. Thanks to PepsiCo it is also the subject of fierce debate in Japan.

This spring the Japanese screening of the original M.C. Hammer commercial provoked complaints to the Fair Trade Commission and Pepsi was forced to take it off air.

Previous articles on the impact of EC directives on the advertising industry were published on June 26 and June 27.

ARTS

The Beggar's Opera

HOLLAND PARK OPEN AIR THEATRE

The clouds that burst over Luciano Pavarotti in Hyde Park on Tuesday did their best to put a damper on spirits at nearby Holland Park too – but at least the audience of *The Beggar's Opera* could be guaranteed a dry seat. The problem here was not discomfort, but the relentless recitative set up by the rain on the smart white awning which shields players and audience from the worst that the English summer can hurl at them. Basic audibility was good – the stage is well equipped with microphones – but the effect was to conduct attention away from the centre of the stage to its periphery, emphasising the flat expanses that somehow had to be filled by Peter Benedict's valiant but sadly unconvincing production.

This eccentric and enduringly influencial ballad opera was created by John Gay in 1728 as a waggish response to the artistic and political corruptions of his day: Italian opera is parodied in the tender love songs of a bigamous highwayman and his many molls; Prime Minister Walpole himself is discernible in the conniving Peachum, president of a thriving pick-pocketing industry. A clever satire of social injustice is scattered among the thieves and whores of a society living in the shadow of Newgate jail.

The difficulty, historically, has been to find an idiom that embraces the idiosyncracies of Gay's conception: Oracle Productions declares the piece an "hilarious musical comedy", but then casts performers of operatic voice in the central roles of Macheath and Polly Peachum, much as the early producers are believed to have done. Mark Tinkler and Sophie-Louise Dann sing well together: their rendition of "Over the hills and far away" is beautifully done.

But while Dann sets up a pretty contrast with the urchin charm of Jo-Anna Lee's Lucy Lockit, and the laid-back sexuality of Aline Mowat's Jenny Diver, Tinkler's stand-and-deliver style seems simply out of place. He gets nowhere near the dash of this most celebrated and raffish crook, and submits to the caresses of the treacherous Jenny Diver as if hoping, against hope, that she would allow him to move on to the next song.

The unevenness extends to Fenella Fielding, whose bill-topping Mrs Peachum pouts and postures in a world of her own: possibly in anxiety to reach the audience, she appears to forget that there is anyone else with her on the stage. The distances involved mean that it is like watching a rag doll trying to perform a star turn. Peachum, in Colin Starkey's rendering, fares rather better – becoming jolly, capering fixer much prone to losing his wig.

The chorus gives itself gamely to the business of populating the stage with scrofulous whores and scurvy drinking companions, although the roughness of the stereotypes makes a curious contrast with the refinement of the singing. Cross-dressing is used to stretch the modest ensemble, which is fair enough as far as it goes. On this stage it simply does not go far enough.

Claire Armitstead

CINEMA

Witty tale of human bewilderment

EVERYBODY'S FINE
Giuseppe Tornatore

BACKDRAFT
Ron Howard

THE ROCKETEER
Joe Johnstone

AFTER DARK MY SWEET
James Foley

LISTEN UP
Ellen Weissbrod

Marcello Mastroianni is the world's most radiantly doleful matinee idol. The face is that of an ageing Frog Prince in shock. The eyes bat in eternal vigilant scepticism. The voice is a musty baritone marinaded in bewilderment.

The Italian star's presence raises Giuseppe Tornatore's *Everybody's Fine* from a minor opera *buffa* into a serio-comic *King Lear*. Our hero is a peasant patriarch from Sicily on a mainland trip, perhaps his last, to see his children. The operatically named offspring – Tosca the actress-model, Canio the politician, Norma the young wife – pretend to delight on Dad's arrival. But they dodge his questions about their welfare and secretly wait for the old loon to scoot back to his nest. The crowning irony is that Mastroianni himself hides and husbands the biggest family secret of all.

This could have been maudlin piffle, overdosing us with generation-gap poignancies like the more resistible parts of Tornatore's last film *Cinema Paradiso*. Instead, led from the front by Mastroianni, it has a witty, tragic human bewilderment. Zigzagging across the land like a migrant bird who has lost his map, Signor M peers through pebbled glasses at the oddities of modern Italy. In Rome a rooftop madman yells "If I don't get a million by tonight I'll tear down all your TV aerials." In Milan everyone moves about in smog masks. And on the motorway, traffic grinds to a gridlock when a stag crosses the road.

Modern life is magnified for the terrified outsider. Even when safe in his Rome-dwelling daughter's flat, our hero mistakes the sounds of strife from a TV soap opera for a real marital row. Jollied along by Ennio Morricone's music, composed as if for bouncing ball without trampoline lyrics, Tornatore's tale is never allowed to stand still and suffer. It flickers with fun even when veteran French diva Michele Morgan hoves into view to befriend Signor M.

"You have to be ready for everything" Morgan croons, "even for one's children to reject one." Yes indeed. But no sooner does the old codger get the message than he delivers *his* message, finally answering the children's repeated query "How's mother?"

As befits a film about a man who has his blinkers removed and then removes those of his family, *Everybody's Fine* has peripheral emotional vision from the start. Even the Fellini-esque flourishes – like the nightmare sequence of a raggedy black balloon lifting squealing children from a beach – belong in that landscape of old age where dream and reality fight it out, like the last warfare of the mind before we fall asleep. This is a funny, moving film, given titanic charm by its unsinkable star, who wears his hundred-odd previous movies like beatific ballast.

★

If only *Backdraft*, a \$39m firefighting epic directed by Ron (*Cocoon*) Howard, had been turned over at an early stage to Signor Tornatore. He could have called it *Everybody's On Fire* and cast Mastroianni as a plucky veteran fighting the deadly, singeing crackle of Hollywood action-movie dialogue.

Here we have Kurt Russell and William Baldwin as estranged brothers melting their differences in flame-torn Chicago. Their fireman father having died on the job, headstrong Kurt and nervous William must purge the memory by dashing into every damned conflagration they see. Watching from afar are arson investigator Robert De Niro and jailed nutcase Donald Sutherland, a sort of Hannibal Lecter of the safety match. Watching from slightly nearer is the audience, fanned by fire scenes so vivid that we hold the press notes in front of our faces to keep out the heat.

Under Special FX supremo Allen Hall, the film plays every variant on the Promethean theme from lunging walls of flame devouring whole buildings to tiny, flirtatious curls of smoke that lick under a door and then retreat, signalling the deadly backdraft.

Unfortunately the film's plot and dialogue are less flammable than its effects. The story is standard sibling-rivalry hokem. And ex-fireperson Gregory Widen's script is written entirely in the exclamatory mode – "This is the real shit, man!", "I gotta do this, Stephen!" – except for one moment when sex-interest Jennifer Jason Leigh is allowed to toy with the Spoonerist potential of the word "firetruck." Of that ingenuity even James Joyce might have been proud.

★

The summer term having ended, many of you will be sitting at home wondering "Where do we take the children if it rains?" My advice is: let it be *Robin Hood, Prince Of Thieves* rather than *Backdraft*. Let it be *Backdraft* rather than *The Rocketeer*. And on no account at all let it be *After Dark My Sweet*. *The Rocketeer*, directed by Joe Johnstone of Honey *I Shrunk The Kids*, is a 1930s-set Disney romp about a flying-machine designer (Alan Arkin), his handsome test pilot (Bill Campbell), the test pilot's girl (Jennifer Connelly) and a Nazi conspiracy (Timothy Dalton). The plot-propellant is a rocket-powered backpack that sends its wearer zooming at high speed all over the landscape. After being invented by Howard Hughes (Terry O'Quinn), it is sought after by the FBI and fought over by Messrs Campbell and Dalton.

It will soon be snored over by film audiences worldwide. Despite the best kiddie-fare intentions, the film scores nought for wit and suspense, four-and-a-half for flying sequences. The only straight ten goes to production designer Jim Bissell, whose triumphs include a Mayan-style mansion for the villain and a free-standing saloon bar shaped like a bulldog.

After Dark My Sweet is barely-standing thriller twaddle shaped like a Jim Thompson story. Washed-up boxer Jason Patric meets man-hungry widow Rachel Ward and gets entangled in a kidnapping scheme with Ward's friend Bruce Dern. The victim is the diabetic son of a Palm Springs millionaire. The boy is clearly near his tether's end, though no more so than the stark mad Mr Dern who overplays like the blithe master he is. Elsewhere Thompson's novel lies prone and senseless. Director James Foley (*Reckless, At Close Range*) stretches out talk scenes like chewing gum – verbal mastications alternating with elastic, meaningless pauses – and Mr Patric and Miss Ward search vainly under beds and behind curtains for the lost shades of John Garfield and Barbara Stanwyck. Thank heaven for Mr Dern. After decades of playing lovable psychotics, his youthful mania has matured into a mellow, toothy virtuosity. Madness in the movies, he proves, can be savoured like the finest wine.

★

Ellen Weissbrod's *Listen Up* tries to be a *Citizen Kane* of the documentary but picks the wrong subject. Quincy Jones, composer, record producer and soft-spoken interviewee, is no Charles Foster Kane. And his last-reel memories of having his fifth birthday cake thrown away by his mother (later institutionalised) are no substitute for "Rosebud."

Undaunted, Miss Weissbrod clatters on through his life. Kaleidoscopic editing abounds. And interviews from the famous are chopped up, intercut and overlapped: "My name is Francis Albert Sinatra." "My name is Barbra Streisand." "My name is – no one's ever asked me that before!" (Ray Charles). As for Michael Jackson, he turns *Kane*'s chiaroscuro into total obscurity by insisting on no lights. Since he had agreed to an audio-only interview anyway, this sounds like a bid to out-crazy Bruce Dern.

Meanwhile, millions of filmgoers less-than-versed in popular music may be asking who is Quincy Jones? Answer: black popular musician; composed some 40 film scores, including *In The Heat Of The Night*; produced Michael Jackson's best-selling records; has arranged music for almost everyone including Sinatra; and has three broken marriages and, on this film's evidence, a lot of confused children. Versatility can sometimes be a mixed blessing. "Quincy's like a spray gun of love," rhapsodises Steven Spielberg, in what may be the most ambivalently accurate remark in the film.

Nigel Andrews

Unsinkable star: Marcello Mastroianni in 'Everybody's Fine'

The Lady from the Sea

RIVERSIDE STUDIOS

I am, no doubt, old-fashioned, but I am still moved by *The Lady from the Sea*, Ibsen's 1888 drama of a wife torn between married love and the call of the the sea. And not just the sea; she is called by a man from her past, a man who belongs as surely to the sea as the Flying Dutchman. The play is, with *A Doll's House* (1879) and *Hedda Gabler* (1890), one of Ibsen's finest studies of marriage and, in particular, the confinement felt by married women. And, please note, each of these three ends differently. Whereas Nora (*A Doll's House*) leaves home and husband and Hedda commits suicide, Ellida Wangel, "the lady from the sea," once given freedom by her husband, opts for life with him.

I'll grant that, every so often, the playwright clangs his symbols round our ears too boomingly. (The carp in the pond; the physician and his patient; and – oh yes – the sea, the sea.) Also that he spells out too obviously What He Means. (The key phrase, about "of my (your/her) free will," occurs maybe a dozen times.) Still, the story itself rivets me; and, as often with Ibsen, I am amazed by how ahead of his era he was. This story is proto-Freudian: the husband who knows that he, as physician, must find the key to his wife's misery, the wife who knows too well that the problem is within herself.

This staging, presented by the Women's Playhouse Trust, is said to be "a new version by Heidi Thomas," from an original translation by Kari Dickson. It is hard to know, however, what role Thomas has played here, though her name is featured as large as Ibsen's on the programme. The plot, the characterisations, the resolution are all as usual. The translation is fresh and idiomatic, but the text is not significantly different from the two translations of the play I have on my shelves.

The staging, directed by Jules Wright, keeps everything quiet, muted, subdued. Too much so. With her cropped hair and loose clothes, Kathryn Pogson makes Ellida the most modern character in the play, but she keeps her neurosis so internalised that it only occasionally registers.

Alastair Muir

Kathryn Pogson and Hugh Fraser

Impossible to fend off memories of Vanessa Redgrave in the 1979 Roundhouse production; I keep seeing her luminous presence in this role, the extraordinary way in which she floated over the stage like a spectral column of shining mist, and hearing her desperate, haunted, tender tones.

As Ellida's husband Dr Wangel, Hugh Fraser is so mild and passive that his great moment, relinquishing Ellida to her freedom, becomes almost an act of complacency. Neither Fraser nor Pogson nor Peter Gowen as the Stranger exert any dramatic force through their voices; indeed, Pogson was sometimes scarcely audible. The play was never dead; every line had been considered, nuanced – but in unduly pastel colours. Too many of Ibsen's stage directions were ignored. The best playing was in the supporting roles; and Fotinu Dimou's designs, creating three or four adjacent types of space, are wholly admirable and atmospheric.

Alastair Macaulay

Luciano Pavarotti

HYDE PARK

Tuesday in the Park with Luciano turned into a typical English summer evening. As the band crashed into the overture to *Luisa Miller* the rain became a downpour, before settling into a steady, relentless drizzle.

The audience in the plastic seats, who had paid up to £450 for the experience, decided that it was all so depressing that they might as well joke about it and some good-natured middle-class banter forced the tentatively-raised umbrellas to be lowered. "They're just nouveaux", shouted one hardy opera lover at a lady rigidly dressed as for a Covent Garden gala, who eventually admitted defeat and sacrificed her perm to the heavens.

And the fat man sang. Pavarotti himself was protected by a vast pink portico, a Greek temple erected over the Philharmonia Orchestra and Chorus and the world's leading tenor, who had generously sacrificed his £100,000 concert fee to entertain an estimated 100,000 fans out there somewhere in the park, for free.

He seemed to enjoy himself, smiling broadly, kissing fingers to the crowd, as he mopped his noble head with the inevitable white napkin.

He paced himself carefully, letting the orchestra and chorus fill plentiful gaps while he concentrated on half-a-dozen operatic arias and a trio of Italian lollipops.

But, in the few moments when he reached for the sullen darkening skies with his most perfect and sustained of high notes, the event became magical. His choice of arias may be hackneyed in the extreme - from *Tosca*, from *Luisa Miller*, even "On with the Motley" from *Pagliacci*, but his voice is so sweet and certain that they temporarily seem enchanted.

With the popular songs, the banal is close at hand – in "Mama" he is almost the ice-cream tenor. But his presence; his confidence; his integrity, came to the rescue in the encore, in "Nessun Dorma", the aria which has brought millions to a love of great singing and the operatic fantasy.

Antony Thorncroft

Norwegian Chamber Orchestra

ROYAL ALBERT HALL, RADIO 3

At Tuesday's Prom, this Norwegian band lived up to its excellent reports. There'd been an honest BBC warning that the Pavarotti concert next door in Hyde Park would make getting to and from the Albert Hall a marathon, so I listened at home. I can't say confidently whether the NCO's keen attack and big dynamic contrasts carried as well into the big hall as on the radio; but the applause sounded seriously enthusiastic, and well-earned – thanks in considerable part to their conductor and soloist Iona Brown.

Miss Brown has been closely involved with their fortunes for a long time (and has just been honoured for that by the Norwegian government), though British audiences probably think of her still as a superlative leader of the Academy of St. Martin-in-the-Fields. In fact she is a soloist of muscular verve and strong musical opinions – among them, that chamber-orchestral playing is a vital art: which was why this programme left so little room to distinguish between her and her band.

They began with two all-string masterpieces, young Britten's "Frank Bridge" Variations and old Richard Strauss's *Metamorphosen* for 23 "solo" players. I'd have defied anybody to find anything unidiomatic in their Britten, characterised with the utmost vividness and pacey to boot. The ripely elegiac *Metamorphosen* of 1945 described a fine dramatic curve (swifter than some), punctuated by a few passionate, unwritten *rubati* on impeccable musical grounds, and trading upon the individual strengths of the whole string band. In this work Strauss effectively expanded the string idiom of the sextet-prelude to his opera *Capriccio*, and the conductor here insisted rewardingly on chamber-interplay throughout the score. (A missed entry or two made no difference.)

Their second half was given over to Mozart's long "Haffner" Serenade K. 250, in which Miss Brown figured dashingly in the solo music – crisp, witty and whimsical. It was composed the year after Mozart's last official violin concerti; six years later the famous "Haffner" Symphony itself began as a five-movement Serenade, and K. 250 has almost as much to offer. Beyond the lively delights of its three "concerto" movements (the last an athletic, breathless Rondo), Brown enforced a robust stamp in the purely orchestral ones.

Most of all, in the undanceable first Minuet: at least as aberrant and darkly aggressive as any of Papa Haydn's mock-minuets up to 1776, it apologises with a dewy, harmonically naive Trio. Brown and the NCO played up the irony for all it was worth – which is a lot, since it catches young Mozart at a new point of knowing sophistication. For his bicentenary it would be good to hear other watersheds in such sharp focus, and not just *n*th performances of his familiar perennials.

David Murray

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

ATHENS

Lycabettus Theatre 21.00 Euripides' play Iphigenia in Tauris, in a production by the Municipal Regional Theatre of Larissa, repeated tomorrow. Sat and Sun in Herod Atticus Theatre: Iphigenia in Aulis, in a production by Karolos Koun's Art Theatre (322 1459)

BRUGES

Onze-Lieve-Vrouwekerk 20.30 Concerto Armonico Baroque Orchestra of Budapest presents a programme of Handel concertos and cantatas, with Maria Zadori soprano. Tomorrow in Bruges Cathedral: Ex Tempore vocal and instrumental ensemble gives a recital of English cathedral music. Sat: Collegium Instrumentale Brugense plays music by Bach and Salieri. Sun: Fontei's Vespro della Beata Vergine, performed by Concerto Palatino Bologna. There are Flanders Festival concerts in Bruges all next week (050-448686)

LONDON

DANCE

Covent Garden 19.30 Birmingham Royal Ballet in Frederick Ashton's La Fille mal gardée, designed by Osbert Lancaster, with music by Hérold arranged by John Lanchbery. Repeated tomorrow and Mon, with two performances on Sat. The BRB season at Covent Garden lasts till August 10 (071-240 1066)

Royal Festival Hall 19.30 English National Ballet in Mary Skeaping's version of Giselle, also tomorrow, with matinee and evening performances on Sat. ENB season runs till Aug 17 (071-928 8800)

MUSIC

Royal Albert Hall 19.30 Tadaaki Otaka conducts BBC Welsh Symphony Orchestra in Grace Williams' Sea Sketches, Prokofiev's Romeo and Juliet (excerpts) and Tchaikovsky's Violin Concerto, with Dong-Suk Kang. Tomorrow: Otaka conducts Ein Heldenleben and Tippett's Piano Concerto, with Peter Donohoe. Sat: David Atherton conducts National Youth Orchestra in Shostakovich's Leningrad Symphony and Walton's Viola Concerto, with Yuri Bashmet. Sun: Andrew Davis conducts first-ever performance at the Proms of Mendelssohn's Elijah, with soloists Gianna Rolandi, Alfreda Hodgson, Laurence Dale and Hakan Hagegard (071-823 9998)

THEATRE

Royal Shakespeare Company In the Barbican main theatre, Ian Judge's colourful, camp production of The Comedy of Errors is showing tonight, followed tomorrow and Sat by Much Ado About Nothing, directed by Bill Alexander, with a cast led by Roger Allam, John Carlisle and Susan Fleetwood. Next week's repertory also includes King Lear and Chekhov's The Seagull. In The Pit, Sam Mendes' production of Troilus and Cressida can be seen tonight, tomorrow and Sat, with a cast led by Ralph Fiennes and Amanda Root. Next week's repertory begins with Christopher Marlowe's play Edward II (071-638 8891)

New Shakespeare Company At the Open Air Theatre, Regents Park, tonight's performance of Macbeth is directed by William Gaunt and designed by Bruno Santini, with Peter Woodward and Nichola McAuliffe as the leading couple. Tomorrow and Sat, Roy Hudd plays Bottom in Ian Talbot's production of A Midsummer Night's Dream, which can also be seen on Mon, Tues and Wed next week (071-486 2431)

For information about other shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

NEW YORK

MUSIC

Avery Fisher Hall 20.00 Cleveland String Quartet plays Beethoven's Quartet in F Op 95, and is joined by Richard Stolzman in Mozart's Clarinet Quintet and by Horacio Gutierrez in Mozart's Piano Quartet in E flat. Tomorrow: Pinchas Zukerman is conductor and violin soloist in a Haydn and Mozart programme with the Mostly Mozart Festival Orchestra. Mon, Tues and Wed: concerts with Jean-Pierre Rampal (875 5030)

New York State Theater 20.00 Guido Ajmone-Marsan conducts Jonathan Eaton's production of Turandot, designed by beni Montresor. Rebecca Copley sings the title role, with Michele Boucher as Liu and Antonio Barasorda as Calaf, repeated Sun matinee. Tomorrow: La traviata. Sat matinee: Sondheim's A Little Night Music. Sat evening: Richard Bradshaw conducts new production of Cav and Pag (870 5570)

OFF BROADWAY THEATRE

● Prom Queens Unchained is a musical comedy about a senior high school prom queen competition in 1959, with a wide range of fifties sounds by Keith Herrmann, directed by Karen Azenberg (Village Gate Downstairs, 160 Bleecker Street, 475-5120).

● Lips Together, Teeth Apart is Terence McNally's play about two married couples sharing a Fire Island beach house over a long Fourth of July weekend (City Center's Stage I, 131 West Fifty-fifth Street, 581-7907).

● The Good Times Are Killing Me is Linda Barry's play with music, directed by Mark Brokaw, about the coming of age of two girls, one black and one white, as they explore the mysteries of adolescence, divided families and racism (Minetta Lane Theater, 18 Minetta Lane, 420-8000).

● Forever Plaid is a musical comedy written and directed by Stuart Ross, about a semi-professional harmony group whose opening tour is cut short in a fatal car accident, and who are allowed one night back on earth to finish the show (Steve McGraw's Place, 158 West Seventy-second Street, 595-7400).

● Ticketron answers inquiries and sells tickets (246 0102)

PARIS

Auditorium, Forum des Halles 20.30 Harpsichord recital by Virginia Black, including works by Domenico Scarlatti, Rameau and Byrd. Mon: concert of piano trios with Jean-Louis Haguenauer and friends (4804 9801)

A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898

ROME

Caracalla 19.15 Concert by soloists of the Teatro dell'Opera, followed at 21.00 by Aida conducted by Nello Santi, staged by Silvia Cassini, with a cast including Maria Chiara as Aida, Bruna Baglioni as Amneris and Nicola Martinucci as Radames. Sun: Zorba the Greek ballet. The Caracalla Festival continues till August 21 (488 3641)

STRATFORD

Royal Shakespeare Theatre 19.30 Twelfth Night directed by Griff Rhys Jones and designed by Ultz, with Jane Gurnett as Olivia, Sylvestra Le Touzel as Violam Terence Hillyer as Orsino and Tim McInnerny as Sir Andrew Aguecheeck. Repeated tomorrow and on Mon, Tues and Sat next week. Sat matinee and evening: Henry IV Parts 1 & 2, with Robert Stephens as Sir John Falstaff (0789-295623)

Swan Theatre 19.30 Shakespeare's early romantic comedy The Two Gentlemen of Verona, the RSC's first full production of the complete play for 20 years, directed by David Thacker, also tomorrow and on Mon, Tues next week. Sat matinee: Thomas Shadwell's comedy The Virtuoso (1676). Sat evening: John Ford's 'Tis Pity She's A Whore (0789-295623)

VERONA

Arena The programme this weekend consists of Turandot with Grace Bumbry (Fri), Rigoletto with a cast led by Leo Nucci, Salvatore Fisichella and Alida Ferrarini (Sat) and Nabucco with Sylvano Carroli in the title role and Linda Roark Strummer as Abigaille (Sun). Performances continue till the end of August (045-590109)

VIENNA

Konzerthaus 20.30 Vienna Hofburg Orchestra plays waltzes and operetta favourites, with vocal soloists, repeated on Sat. Tomorrow: Vienna Mozart Orchestra in period costumes (587 2552)

Nationalbibliothek 20.00 Manfred Huss conducts the Haydn Sinfonietta of Vienna in a programme of music by Haydn and Mozart (825208)

Rathausplatz 20.30 Opening of Mozart Video Festival, a nightly screening of films of major opera house productions, runs till Aug 24. Tonight: Johannes Schaaf's Salzburg production of Entführung. Tomorrow: Marco Arturo Marelli's Volksoper production of Cosi fan tutte. Sat: Jonathan Miller's Figaro production for the 1991 Vienna Festival. Later in the festival there will be a chance to see videos of Mozart productions by Ponnelle, Karajan, the Herrmanns and Ingmar Bergmann (211140)

Schönbrunner Schlosstheater 19.30 Vienna Chamber Opera's German-language production of Le nozze di Figaro. Tomorrow and Sat: Don Giovanni. Season runs till Aug 15 (824566)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

Eurosport
0600-0630 International Business report

CNN
0500-0530 Moneyline
0800-0830 Moneyline
1230-1300 CNN Market Watch
1330-1400 Business Day
2000-2030 World Business Today - a joint FT/CNN production with a review of the day's major business stories
2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
0700-0830 Financial Times Business Report
A five minute business briefing broadcast three times between 0700 and 0800
2220 - 2250 (Wed) Financial Times Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
0830 & 2030 (Thurs) Financial Times Business Weekly

Sky News
1200 International Business Report
2130 (Thurs) Financial Times Business Weekly

SATURDAY

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0800-0830 Moneyline
0900-0930 World Business Today - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

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1930-2000 FT Business Weekly
2330-0030 FT Business Weekly

Sky News
1030-1100 FT Business Weekly

CNN
0710-0740 Moneyweek
1540-1610 Your Money
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Thursday August 1 1991

BCCI is no phoenix

THE HIGH COURT'S decision to postpone the winding up of BCCI for four months may seem like good news for the bank's thousands of depositors in the UK, because it keeps alive a flicker of a chance that the business will be salvaged. But it is more likely to raise false hopes which could add further complications to this already horrific affair.

For the large majority of UK depositors, it will make no immediate difference at all. The terms of the £50m tide-over package proposed by the Abu Dhabi shareholders mean that depositors with less than £6,666 in the bank – or 80 per cent of them – will get exactly the same amount as they would had the bank been wound up and the Deposit Protection Fund been brought into play immediately.

Larger depositors will actually get much less straight away. People with £20,000 in the bank will get only £5,000 compared to the £15,000 they would have received from the Fund. They will get more later, but certainly not till December and since the scandal is only beginning to unravel, anything could happen in the meantime. The only obvious immediate beneficiaries are the employees whose jobs have been made a bit more secure.

The case for postponing the winding up is that it strengthens the chance of salvaging something from the mess. This is built mainly on the hope that some kind of new bank can rise, phoenix-like, from the ashes with the help of the ruler of Abu Dhabi.

Other resurrections

Such resurrections have occurred in the past, it is true. Banco Ambrosiano, struck down by scandal in Italy in the early 1980s, re-emerged as Nuovo Banco Ambrosiano and now thrives. But the scale of the BCCI catastrophe is of a wholly different order. Although it is hard at this stage to calculate the sums that would be needed to plug the deficit in BCCI and provide it with sufficient capital to begin a new life, they would clearly run into the billions of dollars. That is always assuming that the banking supervisors would authorise a new bank with such tainted origins.

There are other possibilities – merger with another bank, break up and disposal, absorption by a newly-created banking entity – but all look most unlikely. Not least among the complications are the suits launched against BCCI by the US authorities earlier this week, and the $200m fine being sought by the Federal Reserve.

However there is another disturbing aspect to the court's decision, and that is the one of fairness. Why should depositors in England benefit from the largesse of the Sheikh when depositors in many of the other countries (even Scotland) in which BCCI operated stand to lose much of their money? Some countries have no deposit protection at all, and it would not be surprising if depositors all round the world now raise a clamour for a hand-out of their own.

Equal treatment

This will make still more difficult the task for Mr Brian Smouha, the provisional liquidator, one of whose responsibilities is to ensure that all the bank's creditors receive equal treatment. Mr Smouha welcomed the court decision because it gives him a breathing space to sort out the bank's future. Yet it would be within his powers to negotiate a reconstruction of the bank with a winding-up order in place, while still ensuring fair shares all round. One thing that can be said for the postponement is that it may help to preserve the value of whatever BCCI assets are still whole: in a liquidation, banks' assets (loans) are notoriously difficult to collect. It may also have been the only way to retain Abu Dhabi's commitment to BCCI. But who can judge the nature and strength of that commitment after all that has happened in the last four weeks?

Although the Bank of England emerged the loser from the High Court, the decision, ironically, bears out the Bank's contention that legal proceedings need to be broached with great care. One reason why the Bank took so long to shut BCCI down was the lack of hard evidence of fraud which would stand up in court.

Veteran at the Bundesbank

MR HELMUT Schlesinger succeeds to the Bundesbank presidency today in a buzz of market speculation that he will start his all too brief term with a rise in interest rates to prove his credentials. Yet nobody, surely, has ever assumed a senior office with less to prove. After a career of nearly 40 years with the bank, half of them as a member of the directorate, and as vice-president for the last 11 years, he has long been a fixed star in the monetary sky.

He is reputed to be tough. He was blamed in 1982 for bringing down a Social Democratic government and in 1987 for provoking a world stock market crash. In fact he is not so much tough as better informed than any of his critics – or, for that matter, than any of his uncritical admirers.

He lives and breathes economic statistics, reaches firmly-based conclusions, and acts on them. Intellectually, he is very much akin to his opposite number at the Federal Reserve, Mr Alan Greenspan. As the voice of economics on the Bundesbank Council, he has been known for uncompromising statements; as president of a group of strong-minded individuals he will probably be constrained, as Dr Greenspan has been, to seek consensus.

Forbidding situation

On the face of it, the situation he inherits is forbidding. German inflation is rising, the balance of payments is in deficit, and the federal budget is disarray – very much the same troubles which the retiring Mr Karl-Otto Pöhl found when he himself assumed office. The Bundesbank has already published its wish-list: inflation below 4 per cent (it is now running at 4.5 per cent); wage increase below 6 per cent (now running, at a delicate stage in the wage round, at 7); and a federal budget deficit below DM140bn (which is clearly going to be widely overshot). A gesture of disapproval would clearly be perfectly appropriate, and is already discounted in the markets.

Mr Schlesinger has already hinted at such a move by pointing out the unusually wide gap between the official discount rate and the commercially-influenced Lombard rate – thus in effect encouraging the markets to lead the way to an increase. There is now a fear that wage bargainers may try to claw back the modest rise in indirect taxes which have been imposed to recover some of the costs of reunification. A warning on this score could well be timely.

Desired effect

It is not clear, though, that anything more than a gesture would be required. The latest projections show that the quite tight policies which have been followed for many months are having the desired effect. Monetary growth has been subdued in recent months, and the new IFO economic institute projection shows the economy in what was West Germany slowing sharply from an annual growth rate of 4.5 per cent in the first half of this year to 2 per cent in the second, and perhaps as little as 1.5 per cent next year. Inflation will remain a concern, but the underlying trend is thought likely to peak next year at a 4 per cent annual rate before beginning to subside.

Meanwhile, there are now some early signs of revival in the east, where output is likely to fall by a quarter this year. The growth projected next year will restore less than a third of what has been lost, and clearly one aim of policy must be to maintain steady conditions is which this revival can be expected to take a firmer hold. With the broader national responsibilities which the Bundesbank now carries (and the enlarged council which goes with them), it cannot be expected that policy will simply be a projection of the past.

In any case, the Bundesbank also shares international responsibilities in a world in which the recession in the English-speaking countries is proving unexpectedly obstinate, and in which excess German demand offers some welcome relief – points which are stressed in the Bundesbank's own commentary on the policy background, a draft which Mr Schlesinger no doubt checked in person. He is not likely to fall victim to his undeserved reputation for simple-minded toughness, even if the market tries to impose it on him.

William Dullforce on Switzerland's 700th anniversary celebrations

Angst in the Alps

Zurich will have been woken today by a 23-gun salute, one for each Swiss canton. Later 550 Alphorns will boom across the mountains linking Montreux and Basle with Küssnacht in the the canton of Schwyz, the country's heartland. Three ships this morning will be deployed to take the seven members of the federal council (government) and 1,800 Swiss and foreign guests across the Lake of the Four Cantons to the Rütli meadow, where on August 1 1291 the peasants of three mountain valleys struck the alliance which now marks the birth of the Swiss Confederation.

Incomparable organisers, the Swiss are celebrating their 700th anniversary in style after an 18-month prelude of intercantonal quarrelling, abuse from their intellectuals and an odd decision to ban a parade by their citizens' army. Today's celebrations are the culmination of several weeks during which Swiss folklore – wrestling, Alpine cow combats, yodelling – has been supplemented by countless locally arranged special events and exhibitions featuring (inevitably) Wilhelm Tell.

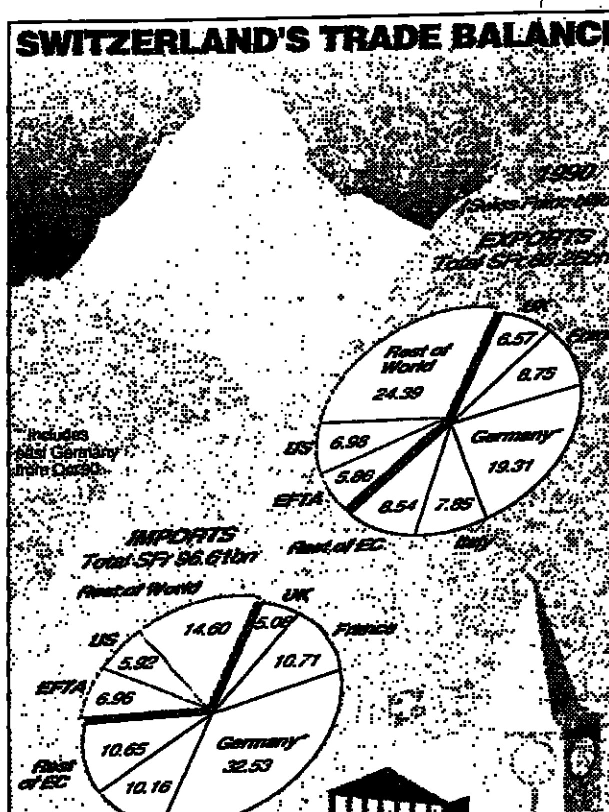
What matter that Tell never existed or that historians contest the selection of the Rütli pact, one of several from the period, to mark the founding of the Confederation? Many Swiss clearly feel the need to steep themselves in their myths and legends this summer.

Understandably so, for their identity as a *Sonderfall*, a special case among nations, has never been so sharply queried since they put their unique political system in place in the federal constitution of 1848. For months before this anniversary Swiss politicians, businessmen and media have been indulging in untypical soul-searching about their ability to continue shaping their own future.

The collapse of communism, east-west detente, the dismantling of international financial barriers, and, above all, the nature of their future relations with the European Community are forcing the Swiss to think again about cherished values.

This introspection notwithstanding Switzerland remains a great success story. By sheer hard work – and cussedness, some of their neighbours would say – a people with no natural resources apart from mountain valleys that allow hydro-electric power generation has been able to achieve Europe's highest per capita income. The Swiss run big multinational companies in chemicals and engineering; Switzerland is home to the world's biggest foods group (Nestlé); their banks and insurance companies have an international importance quite disproportionate to the nation's 6.5m population.

This material achievement has been favoured by three elements. Internally, the Swiss devised a system, based on direct democracy, that preserved cohesion between four language groups (German, French, Italian and Romanche) and two religions and ensured political stability. Externally, they backed their neutrality with a well-armed militia army which has helped them to stay out of the wars that wracked the continent. Finally, they combined a faith in private enterprise and single-minded



pursuit of their external economic interests with protection for domestic cartel-like practices that effectively sheltered their enterprises from foreign dominance.

With some stretching of the historical evidence it is possible to argue that all three elements existed in embryo in 1291 in the valleys of Uri, Schwyz and Nidwalden. Their peasants were free and a rudimentary democracy prevailed. Their federalist instinct was shown in the readiness of valley communities to make alliances with cities on the plateau. Resistance to foreigners was certainly present. And clearly the peasants were defending their economic interests; they intended to keep control of the Alpine route over the St Gotthard pass and retain access to northern Italy, then the most highly developed part of Europe, for their cattle-raising products.

But in 1991 these components in Switzerland's make-up are exposed to challenges that have already caused unusual political and economic upheavals domestically in the last two years. Mrs Elisabeth Kopp, the country's first woman cabinet minister, was forced to resign as justice minister, because of an indirect link to a scandal involving the laundering through Swiss banks of the proceeds of international drugs trafficking.

The Kopp affair led to the disclosure of a more dubious facet to the Swiss success story – the existence of secret police files on the political affiliations and activities of nearly one in six Swiss and of a secret army intended to resist an eventual occupying power. In neither case, it appeared, did government ministers know what was going on.

Attitudes towards the militia army, the backbone of Swiss neutrality, foreign policy and internal ethnic cohesion, have changed markedly. Some 36 per cent of voters supported a proposal to do away with the army in a referendum last year. The government now says it plans to reduce its strength from 625,000 to 400,000, to review its objectives.

Public dissatisfaction has prompted proposals for a revamping of the political system which would diminish the powers of the cantons, which would have been unthinkable only five years ago. Members of the federal council have suggested that the constitution be revised. Other politicians have called for the consensus approach to be abandoned in favour of a system allowing for a government and opposition which could remove the government by securing enough votes in parliament.

Effectively, this would mean the demise of the four-party coalition between groups from the right, centre and Social Democrats which has governed Switzerland since 1959. For a people which has made political stability a priority implementing such proposals would amount to a minor earthquake.

In the economic dimension Swiss secretiveness in business and banking is being undermined. Companies are having to tell shareholders more, pay them higher dividends and bring their public accounting more in line with EC practice. Price-fixing cartels in banking and insurance have been broken up. Bank secrecy has been curbed, though not destroyed, by new laws on insider trading and money-laundering and the banning of lawyers' right to deposit clients' funds with the banks anonymously.

Among all the external influences compelling change the advent of the European single market in 1993 looms largest. Of the six countries in the European Free Trade Association (Efta) negotiating the formation of an 18-nation European Economic Area (EEA) with the EC, Switzerland has been toughest in seeking exemptions. And with good reason.

Economically, Switzerland and the Community are already tightly bound; 57 per cent of Swiss exports go to EC countries, from which Switzerland takes 71 per cent of its imports. But for the Swiss the real issue is political.

The movement within the Community towards political union is incompatible with Swiss direct democracy, where any decision can be subjected to a popular referendum in which it would have to be approved by a majority of the 23 cantons as well as an overall majority of voters. A federal council decision to sign an EEA agreement would itself call for a referendum; at present it is highly unlikely it would win support from enough of the more numerous German-speaking cantons. The wilfulness of the Swiss voters was illustrated in 1986 when they voted against joining the United Nations.

Even an internationalist such as Mr Fritz Leutwiler, former central bank chief and debt crisis negotiator, balks at the political leap that adhesion to the EC would require. "Federalism is a matter of survival for a country that is a union of cantons and linguistic regions," he says.

Moreover, the Swiss have yet to settle one outstanding bilateral problem with Brussels, which emotionally takes them back to 1291, when the peasants of Uri, Schwyz and Nidwalden joined to keep control of an alpine pass and founded the Confederation. Now, the same cantons lead the resistance to the EC's demand that Switzerland open the road through the St Gotthard tunnel to lorries weighing 40 tonnes.

On their 700th anniversary the Swiss are divided and anxious. Some, like Mr Leutwiler, believe the country should independently liberalise its economy and free itself of its cartels, keeping pace with the EC economically while taking time to adjust its political institutions. Others, including many young businessmen especially those from the frontier cantons of Geneva, Basle and Ticino, think Switzerland cannot afford to remain isolated and should apply to join the EC now.

BOOK REVIEW

Transforming the banks

THE FUTURE OF BANKING
By James L Pierce
Yale University Press 163 pages, £16.95

Central bankers have produced two remedies for the ills that beset the world banking system: risk-adjusted capital adequacy standards and consolidated supervision. The logic of Professor James Pierce's study for the Twentieth Century fund is that both are misguided.

The first of these two remedies means that banks must hold capital that meets a certain percentage of their liabilities, with those liabilities weighted according to their inherent riskiness. The second means that international banks should be supervised as a consolidated whole by their home-country authority.

On the first point, Prof Pierce is brisk: "The risk-adjusted capital adequacy standards are already distorting and overly complex, and they will probably become even more so over time as the regulators respond to banks' attempts to circumvent them. This unhappy cycle is likely to break down eventually."

He does not address the second point, the doctrine of consolidated supervision, directly; his book is mainly concerned with US domestic issues. But a central theme of his argument is that regulators have bitten off more than they can chew. In their desire to protect and regulate those parts of the banking industry that are essential to the monetary system, he says, regulators have found themselves extending their supervision ever wider. They are saddled with supervising activities which are quite irrelevant to the central issue of preserving the monetary system.

Consolidated supervision of international banks is a logical consequence of this approach, just as consolidated supervision of bank holding companies has been a logical consequence of the way the US authorities have regulated domestic banking. The current structure of banking regulation is inevitably doomed to fail – not least because "government supervisors who interrogate bankers earn maybe sixty thousand dollars a year; the people they question often make ten or twenty times that and operate out of offices that make a regulator's quarters look like a shelter for the homeless".

Enough, says Prof Pierce: "The government must stop *trying to police everything* related to banking and to prevent all banks from failing." It must share the burden of disciplining bankers with market forces.

This is less of a risk than it might seem, he argues, because the things banks do that have traditionally earned them their distinctive institutional position form a smaller and smaller part of their total activities. Prof Pierce estimates that at most 37 per cent of US banks' sources of funds are current or deposit accounts payable on demand. Most liabilities are unrelated to the payments system, he argues. On the other side of the banks' balance sheet, at most 18 per cent of bank assets, he says, are devoted to the kind of business lending that historically made banks special.

Small business lending, the one area in which banks have special expertise, "is probably less than 10 per cent of what the banking industry does. Is it really necessary to protect and regulate the other 90 per cent of bank activities to assure provision of this credit?"

His remedy, therefore, is to create a new insured, regulated entity, a monetary service company. This may be a bank subsidiary, a stand-alone operation, or part of any other commercial grouping. It can hold only money-market instruments such as commercial paper, treasury bills, and so on. It offers fully federally insured current accounts, and provides payments services. It cannot lend to its owners under any circumstances, and must be completely insulated from the liabilities of its parent. All other activities we currently think of as banking become uninsured, and their providers are regulated only by company and securities law, not by banking supervision.

Prof Pierce is seeking, with these proposals, to confine government regulation and insurance only to those activities – about 40 per cent of what we currently define as banking – which are essential to the smooth operation of the economy.

The approach is far more sweeping than the current US banking reform proposals, but it is one of a number of alternative ideas which seek to limit bank regulation and insurance to what is practically feasible. Without such an approach, the government's responsibilities expand without ceasing.

There is one weakness in what is otherwise an interesting, clearly written contribution to an important debate. This is the exclusive focus on US domestic issues, which stems in part from the belief that the tangled history of US bank regulation has been a principal contributor to current problems. It is certainly true that the way that the problems of the banking system manifest themselves in the US are shaped by the history of regulation there; but other countries have underlying problems that are very similar even though the symptoms are slightly different. More attention to international trends, and to the international implications of the author's proposals, would have greatly strengthened the argument.

Peter Martin

OBSERVER

Third time lucky?

■ Abbey Life, Hambro Life and now J Rothschild Assurance. Why does South African born Sir Mark Weinberg, probably the most successful entrepreneur in his business, want to start yet another life insurance business at a time in life when others are retiring or at least trying something different?

Even if he made only £5,000 from his first venture, he made a fortune when he sold out to BAT. A trustee of the Tate, joint chairman of the Per Cent club, and a deputy chairman of Business in the Community, Weinberg has all the trappings of the establishment. However, he has been quietly disengaging himself from these good works in preparing to take a full-time job again as executive chairman of Lord Jacob Rothschild's St James's Place Capital.

Although he stresses he parted company with BAT amicably, one senses that he and Lord Rothschild – part of the unsuccessful Hoylake attack on BAT – are out to settle some old scores. Weinberg, who had links with both sides, had to stand down from the BAT board for the duration and was never invited back. If he had, BAT's Allied Dunbar would probably not be facing him as a competitor.

Despite their establishment connections, Weinberg and Lord Rothschild remain outsiders. Why else would they promote their new venture by describing Weinberg's last initiative as "perhaps the most successful financial institution established in this country in the past 50 years".

Disorientated

■ Students of far eastern affairs are hard-pressed to know which are the more confused: the chickens of Australia, or the citizens of Singapore.

Antipodean hens are distracted from laying by the weather effects of long-range fall-out from the Philippines volcano eruption, which in some places is lengthening daylight by nearly two hours.

Singaporeans are befuddled by a surfeit of governmental do-gooding campaigns. For instance, asked which were running in July, a sample citizen cited the Speak Mandarin campaign, but he was wrong. That doesn't start until September.

The right answer was National Courtesy Month in conjunction with the Keep Public Toilets Clean campaign punctuated by Community Week and the 10th anniversary of the Productivity Movement.

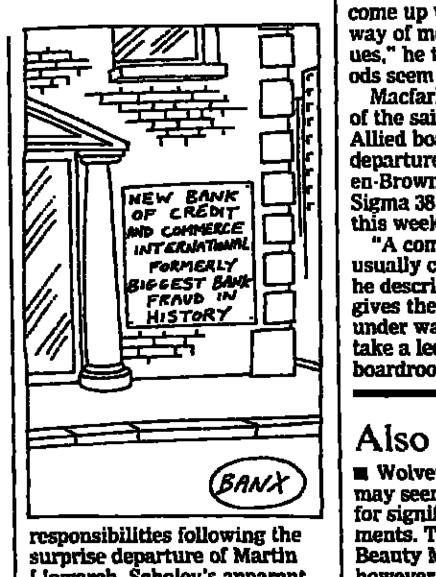
Previous exercises have included a Killer Litter campaign against the dropping of junk from high-rise flats, as well as drives to get Singaporeans to smile more, spit less, smoke not at all, and have fewer children - which they did so dutifully that they were soon under pressure to have more.

Hard case

■ Sir Norman Payne felt it time to wave goodbye to his beloved British Airports Authority this week. But not so Sir Robert Scholey, the bluff boss of British Steel who is all of a day older.

Scholey still seems to enjoy life at the top, and by all accounts he gave his militant Scottish shareholders a good thrashing at yesterday's annual meeting. Which leaves a hard case to crack for anyone trying to detect who'll be British Steel's next chairman.

Dr David Grieves's promotion to the vice-chairmanship is almost certainly a false trail. An elder statesman figure, he has been on the board since 1983 and has taken on more



responsibilities following the surprise departure of Martin Llowarch, Scholey's apparent successor, in June.

Sir Ronald Halstead is non-executive deputy chairman but he doesn't seem a natural successor to the 69-year-old Scholey. RTZ's Sir Derek Birkin would be a more interesting choice - provided, of course, that Scholey is not intent on hanging around as long as 73-year-old Lord King of British Airways.

Fresh tack

■ Quite a change of corporate culture for Peter Macfarlane in his move as finance director from the engineers of Rolls-Royce to the marketers of Allied-Lyons. But so long as nobody insists he drinks his new group's Kahlua coffee-based liqueur, he sees no problems on that score.

"From one business to another, the finance functions are concerned with common criteria: return on capital employed, interest cover...", he says.

He also strongly supports Allied's policy – in contrast to that of Guinness and Grand-Met – of steadfastly refusing to put its brands on the balance sheet. "Nobody has yet come up with a satisfactory way of measuring brand values," he thinks. "Present methods seem too subjective."

Macfarlane will restore some of the sailing skills that the Allied board lost with the departure of Sir Derrick Holden-Brown. He is sailing his Sigma 38 to northern Spain this weekend for a holiday.

"A competitive sailor who usually comes last", is how he describes himself. But he gives the impression that, once under way, he's unlikely to take a lee berth in the boardroom.

Also ran

■ Wolverhampton Racecourse may seem the last place to look for significant currency movements. The EBF Sleeping Beauty Maiden Stakes there, however, proved otherwise. For among the 100-1 shots was lurking a filly by name of Sterling Prospect.

Alas, she lived up to her long odds and finished down the field. The Sporting Life described her race thus: "Prominent three furlongs . . . weakened quickly, well behind final three furlongs."

The winner?

Why, Bundesbank, of course, the odds-on favourite who "ran on gamely" under champion jockey Pat Eddery.

Elitist

■ Richard Branson's Virgin Atlantic airline has won numerous awards, but its staff can go too far in using its name colloquially. Or so Branson was told by Labour MP Gwyneth Dunwoody when he appeared before a parliamentary committee.

While "Virgins this way!" might be a permissible way to call passengers to their flight, she suggested, "First-class virgins this way!" was gilding the lily.

ECONOMIC VIEWPOINT

The golden rule of boom and slump

By Samuel Brittan

The most level-headed assessment of the British economy is that the recession has hit bottom, and that there are some slight hopes – not much more – of an upturn. The remark in the Confederation of British Industry's new Economic Assessment about "some flickering signs of revival" of consumer demand hits the right note. But such are the lags in the data – and in the business mood – that we will only know when recovery is well under way.

The conventional view is that the upturn when it comes will be modest. But that is in the nature of upturns, which start off looking too feeble and end up looking too vigorous.

Meanwhile,the seasonal adjustments of the Central Statistical Office show that the apparent deterioration in the forward-looking elements in this week's CBI survey are mostly seasonal. The government – and more important the British economy – pay a heavy price in lost confidence for the CSO's overfastidiousness in not publishing its seasonal adjustments. Even on an adjusted basis, however, the CBI survey disappointed those looking for positive confirmation of recovery.

The mainstream case for an upturn is based on the link between falling inflation, lower interest rate, and a falling personal savings ratio – now temporarily regarded as a good thing. The sceptics fear that rising unemployment will both put a brake on incomes and induce caution among those who remain at work. I know of no *a priori* way of deciding between the two schools; and my main reason for believing that recession will be succeeded by recovery is that this is what has nearly always happened in the past.

There is a chance that sterling's positive interest rate differential over the D-Mark's will vanish temporarily or reverse

Fortunately for one's boredom threshold, events never work out exactly as expected. It is even possible, as my colleague Peter Norman remarked on this page last Saturday ("South-east's slower road to recovery"), that the next recovery will – despite the European economic slowdown – be export-led. The Treasury forecast does show a marked export spurt in the first half of 1992, but offset by a comparable rise in imports. Yet exports may be better than expected, and imports may not rise so much. For during the last two years, business has been consistently more optimistic (or less pessimistic) about exports than about the economy in general.

As Michael Saunders of Salomon Brothers remarks: "The divergence between export prospects and the domestic economy points to further narrow trade deficits in coming months, as slack domestic demand will restrain imports. Competitively-valued sterling and improving export prospects are offering a lifeline to UK-based manufacturers, and are a major reason why the current recession is less severe for manufacturing industry than the 1979-81 recession."

These are words which members of the red-black coalition – of allies from opposite sides of the political spectrum who assert that sterling is overvalued because of ERM entry – should learn by heart and repeat.

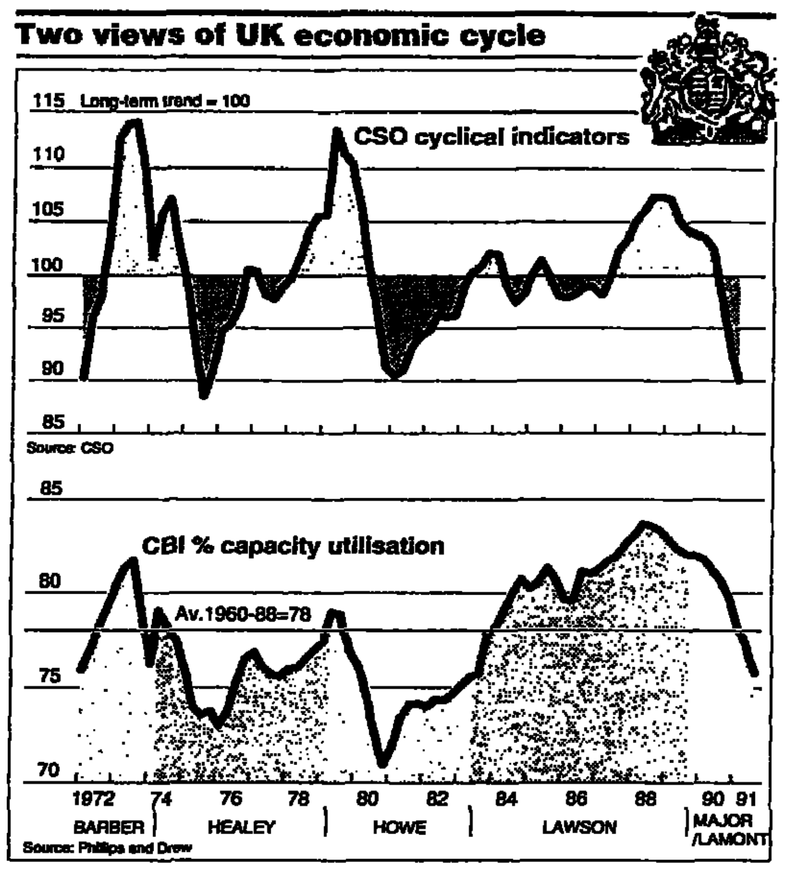
The main reasons for hedging one's bets are financial and international. So far there is nothing abnormally low about UK monetary growth, if one is serious about keeping inflation down more than temporarily. The government's favoured aggregate M0 (basically notes and coin) has increased in the last year by 2 per cent – the exact middle of the target range. Its growth has indeed somewhat speeded up in the last six months.

The broader aggregate, *M4*, has been rising by 7 to 8 per cent. This is less than the double digit rates of expansion seen in the 1980s, but surely not deflationary. Any attempt to fine-tune the credit cycle could moreover boomerang dangerously. The one UK indicator on which I would keep a wary eye is bank and building society lending. This is called by the Bank of England the "credit counterpart to M4", but in the short term it leads a life of its own. Although it has risen by a respectable 9 per cent over the last year, its growth diminishes steadily the shorter the period of comparison.

Those who assert that the world real money supply is growing too slowly inevitably base themselves on past inflation data, which it is the object of policy to reduce. Looking at nominal money supply, as one should, the main country suffering from a credit crunch is Japan, where broad money growth has dropped like a stone. Pan-German money supply growth rates have also been slightly below target, but velocity is not so stable that one can forget other pointers towards rising inflation.

A similar impression is given by the more common sense Dunn and Bradstreet international business expectations survey. Worldwide, sales optimism is stable or rising. But it has dropped heavily in Japan and Germany (and also Switzerland and Brazil). Internationally, business is slightly less "optimistic" about increasing prices; but the change has been too modest to expect anything other than lower inflation.

Two views of UK economic cycle



The German slowdown is an adverse factor for its neighbours, even if it reflects capacity rather than demand constraints; or if the combination of economic slowdown and rising inflation, known in other countries as stagflation, makes a monetary tightening more likely than a stimulus. The British government will wisely hold its fire on base rates until it has seen what the Bundesbank, under its new president, Helmut Schlesinger, decides to do about German monetary policy after the August holiday. In the end the Bank of England may find that it has a surprising amount of headroom to reduce base rates further.

Normally the dramatic narrowing to 2 per cent of the short-term interest rate differential between Britain and Germany would indicate that the end of the road was in sight for further base rate cuts. In fact the situation is anything but normal. Quite soon in the next few months the headline UK inflation rate will be below the headline German rate. The crossover will reflect favourable distortions in the British headline figures and unfavourable ones in the German figure. But underlying inflation, at least in the traded goods sector, should converge. German pay settlements in manufacturing have already overtaken British ones; and one in five British companies have imposed pay feezes.

There is thus a chance that sterling's positive interest rate differential over the D-Mark's will temporarily vanish or even go into reverse. It is, however, in everyone's interest that Germany should overcome its unification problems without making more than a temporary dent in its price stability record. For it is a delusion to suppose that any other country could replace it as the anchor in the ERM or that the system could function without one.

* * *

Speculation about the the timing or shape of the recovery is a mug's game. Far more fundamental is to see where the UK has reached in the business cycle in terms of pressures on capacity and slack in the economy. The top chart, based on CSO data, simply plots deviations from a five year moving average and tells us little about the absolute amount of slack. Indeed if output continues to bump along the bottom for several years a pseudo-recovery would be shown, as the trend itself would bend downwards. The main value of the chart is indeed its mechanical, robotic quality.

Unemployment used to be a standard indicator of demand pressures, but it has become less useful be because of structural changes in the labour market which have altered the relation of vacancies to jobless. I have therefore used instead for the second chart an index of capacity utilisation devised by Mark Brown of Phillips & Drew on the basis of answers to the main CBI question on the subject.

The charts give somewhat different results. The CSO indicator makes the Lawson boom much smaller than the Healey one, while the CBI indicator gives the opposite impression. But both show a very similar shape for the UK cycle.

When the pressure of demand reaches a critical level, inflation speeds up. Below that level, it slows. This is the golden rule

They also illustrate the golden rule for understanding economic events. This is that when the pressure of demand on capacity reaches a critical level, inflation accelerates. When it falls sufficiently below that level, inflation decelerates. We cannot say in advance what the critical level is.

The Treasury's best guess is that the level of capacity operation reached towards the end of 1990 was not far from the equilibrium one at which inflation would neither rise nor fall. Whether that guess is right or wrong, we can be pretty sure that the British economy was operating above that critical level in 1988 and is below it today.

That is why the CBI is able to report "the smallest expected price rises for 24 years". Its economists believe that factory gate prices are now rising by only 3 per cent on an annualised basis – much less than is shown by the normal year-on-year comparison.

Just as the rise in inflation led to a slowdown and recession, the fall in inflation will create the conditions for recovery – whether that recovery is natural or policy-induced or a mixture of both. Hang on to this framework and you know the essence of macro-economics. The rest is commentary.

LOMBARD

True blue but green at heart

By Bridget Bloom

"Margaret Thatcher was a good chemist but she has never been a country person, who understood and felt deeply about these things, as I did."

The author of that sentence? Not, as you might think, Sir Derek Barber, former chairman of the Countryside Commission, or some other such green-wellied figure, but Mr Nicholas Ridley, the former prime minister's controversial environment secretary.

Conservationists frequently crossed swords with Mr Ridley as they fought his plans for new towns in the countryside, for nibbling away at the green belt or for favouring farmers who wanted to turn fields into golf courses.

So they and others may well read with some disbelief Mr Ridley's impassioned chapter on his stint at environment in his book on the Thatcher years. Ridley paints himself in the greenest of hues, a "countryman" through and through who, as a lad, worked during his holidays "with farm workers or the woodmen, the masons or the gardeners ... thus I knew exactly how the balance of nature and the rural economy worked".

For a man who loves the countryside, Mr Ridley wanted some odd things to happen there. One of his most extreme ideas was to be found in a consultative paper of two years ago, in which he proposed "to ease the burden of planning controls on farmers and others who seek alternative uses for surplus agricultural land and buildings".

This would have allowed landowners to establish, without planning control, such enterprises as equestrian centres, country, theme or amusements parks, zoos and safari parks, flying, ballooning and parachuting establishments, along with accompanying car parks and restaurants.

The document caused barely a ripple in the wider world, but the rural lobbies were up in arms. The Council for the Protection of Rural England, for example, said it posed the most serious threat yet to the beauty of the landscape. Even the National Farmers' Union thought such a policy of unfettered development might rebound.

In September 1989, after Mrs Thatcher had been converted to "green" issues, Mr Ridley was replaced at the DoE by Mr Chris Patten, a noted "green" enthusiast, and the paper was withdrawn.

It has, however, fallen to the new regime at the DoE under Mr Michael Heseltine to turn the affair almost full circle and introduce stringent planning regulations for farmers.

Last month the department announced that English farmers would be subject to the same constraints as those landowners in the national parks. They must give notice of virtually everything they build to the local planning authority. If no objection is raised within 28 days, approval is deemed to have been given.

This is not the same as requiring farmers to apply for planning permission, a course advocated by many conservationists (though such permissions will now be needed if the landowner has five hectares or less). But it should preserve much-loved landscapes for a bit longer.

More broadly, the tale seems to have two lessons. First and critically, it is apparently part of a government reconversion to the virtues of planning: Mr Ridley would have abolished all county development plans – country-wide plans covering industry, housing and leisure – greatly weakening the nation's so-called strategic planning system when virtually everyone else thought it needed strengthening.

Second, the turn-round shows the strength of pressure groups even when public ignorance is profound. Some 18m people seek solace in rural Britain at the weekend, but how many of them knew (for it was never in any election manifesto) that a minister who deemed himself a countryman was about to sanction the carbuncling of the countryside?

In any case, it was not until effigies of Mr Ridley were burning in loyal Conservative villages throughout the shires that the Tories realised the popularity of planning controls among their natural supporters.

LETTERS

What about those owing BCCI money?

From Mr Kenneth C King.

Sir, In all I have read and heard of the BCCI affair, there does not seem to have been one word on the position of those who OWE money to BCCI. When I was a small shopkeeper, I never managed to be £80,000 in credit. In fact, I thought now all small businesses – and large? – were hopelessly overdrawn. What is happening about them?

I have a "Greencard"; a Mastercard credit card issued by BCCI. On Friday, July 19, I received my usual statement, requesting payment to "BCCI Card Center". Do I pay it? If I do, will the shops which supplied me with the goods receive payment? Or will they come back to me direct later, saying BCCI had defaulted?

Enclosed with the statement was an invitation inviting me to invest in the BCCI "Offshore Fund" based in the Isle of Man. This was July 19, remember! As I understood that the BCCI staff had lost their jobs, who is sending these out ? Is he/she not aware of the furore surrounding his/her employer? Do you think someone should tell him/her?

Kenneth C King,
54 Southridge Rise,
Crowborough,
East Sussex

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

British Gas challenged on contention that it is encouraging competition

From Mr Ian Powe.

Sir, Mr Robert Evans chose a good moment to declare ("A fair deal for gas consumers", July 30) that British Gas is doing all it can to ensure real competition in the gas contract market; the Office of Fair Trading report, soon to reach ministers, may carry another message.

Notwithstanding any steps that British Gas takes, two factors which limit competition are a shortage of gas for competitors and an artificially structured market. In consequence, competitive gas suppliers cherry pick for the best deals; with limited volumes for sale, they choose customers with annual offtakes of about 1m therms at high load factors whose sites are not too far from the terminals in Scotland and East Anglia. Meanwhile, there are about 15,000 contract consumers, with loads of less than 1m therms, who simply have no choice but to buy from British Gas. Some are too far from the terminals to make them worthwhile customers for suppliers who must pay distance-related transport costs to British Gas for using its pipeline. Others are too close to the 25,000 therm threshold.

The worrying truth is that British Gas's *de jure* monopoly in the mainly domestic tariff market extends, *de facto* and too far, into the commercial and industrial contract market. The least that the OFT report should recommend is some "unbundling" and greater accounting transparency, in the integrated sectors of British Gas's monolithic gas supply business, along lines favoured by the European Commission. Only then will evidence emerge on whether Mr Evans is right to claim there is no case "for further radical restructuring of the market".

Ian Powe,
director,
Gas Consumers Council,
15 Wilton Road, London

From Mr Alan Marshall.

Sir, Mr Evans' claim that effective competition will be in place in 1993 on the grounds that gas supplied by competitors "will grow towards 25-30 per cent" in 1992, cannot go unchallenged.

A far better measure of effective competition is that no supplier, including British Gas, should have more than 25 per cent of the market – the usual level for an OFT evaluation. Until effective competition is well established, the schedules, admittedly unsatisfactory, have a role to play.

Mr Evans' point that new supplies inevitably take time to come to market is important and well made. An assurance that the gas swaps arrangement will continue until adequate new supplies are coming to market would have been most welcome. Perhaps this will be forthcoming soon.

The article states that it is difficult to envisage what else British Gas could contribute to the development of real competition. As an independent gas supplier, my company would be willing to discuss with Mr Evans a list of changes in British Gas's approach which could help.

Perhaps, more importantly, customers who find themselves not enjoying any advantage from emerging competition could also be helpful.

Alan Marshall,
managing director,
Associated Gas Supplies,
59 Markham Street, London

The trap of the FT-SE 100

From Mr David Fitzsimon.

Sir, The growing credence given to the FT-SE 100 index as a measure of the share price performance of the top UK companies should give cause for concern. A typical example occurred on your front page of July 30 when you commented on the FT-Actuaries All-Share index hitting a new high, lagging behind the FT-SE 100.

As a short-term measure the FT-SE 100 is ideal and can be adjusted instantaneously for individual price changes. There would be no traded options series or futures market without it. As a longer-term measure, however, it is seriously flawed. Underperforming companies drop out to be replaced by growing and more successful companies. Over time this makes it a hard index to beat and it should in the long run outperform the All-Share.

Several commentators have fallen into this trap when using these indexes to compare the performance of the larger and smaller companies in the UK. Perhaps the smaller companies have not been performing so badly after all. What level the FT-SE 100 if it still included some of the original components – Barratt Development, Berisford et al?

David Fitzsimon,
Sheppard,
No 1, London Bridge,
London SE1

Green Paper on industrial relations does not reflect realities

From Mr John Marsh.

Sir, Mr Michael Howard, the employment secretary, really should come clean and admit that the latest Green Paper on industrial relations has nothing to do with industrial relations and everything to do with his personal prejudices and evident complete lack of understanding of the day to day realities of the workplace. Everyone I have spoken to over the past few days who has ever had anything to do with industrial relations is clear on this, whether they be management or union.

It speaks for itself that none of the proposed changes has any visible support from anyone but the Institute of Directors, an organisation which everyone but the government stopped listening to years ago.

Any trade union member who wishes to resign from his or her union and cease paying subscriptions has only to write to their employer saying so. Mr Howard suggests (Letters, July 26) that employees may be paying union subscriptions without their knowledge, but the law plainly provides for all deductions from salary to be clearly noted. The proposed requirement to renew authority to deduct annually is nothing but a nasty spiteful attempt to tie up trade unions in red tape.

As for the right to belong to the trade union of one's choice, whatever happened to Tory complaints about too many unions? The plain fact is that the average complaint heard from employers about the TUC's Bridlington rules is that they are often not enforced as completely as they might like. Yet again this is a thinly disguised and cynical ploy to undermine trade unions and their ability to organise.

Far from being the nice little vote catcher, the Green Paper will be seen by all for what it really is – a triumph of prejudice, vindictiveness and stupidity over common sense, balance and reason.

John Marsh,
branch secretary,
Nalgo,
Haringey Branch,
2a Brabant Road, London

FINANCIAL TIMES
Thursday August 1 1991

Britain and France react coolly to German call for armed unit to help halt civil war

Peace force suggested for Yugoslavia

By Quentin Peel in Bonn, Robert Mauthner in London and George Graham in Paris

FORMATION of an armed European peace force which could be used to separate the warring factions in Yugoslavia was called for yesterday by Mr Volker Rühe, secretary general of Germany's governing Christian Democrats.

The proposal prompted a cool reaction from British officials. French officials questioned under whose control the forces would be.

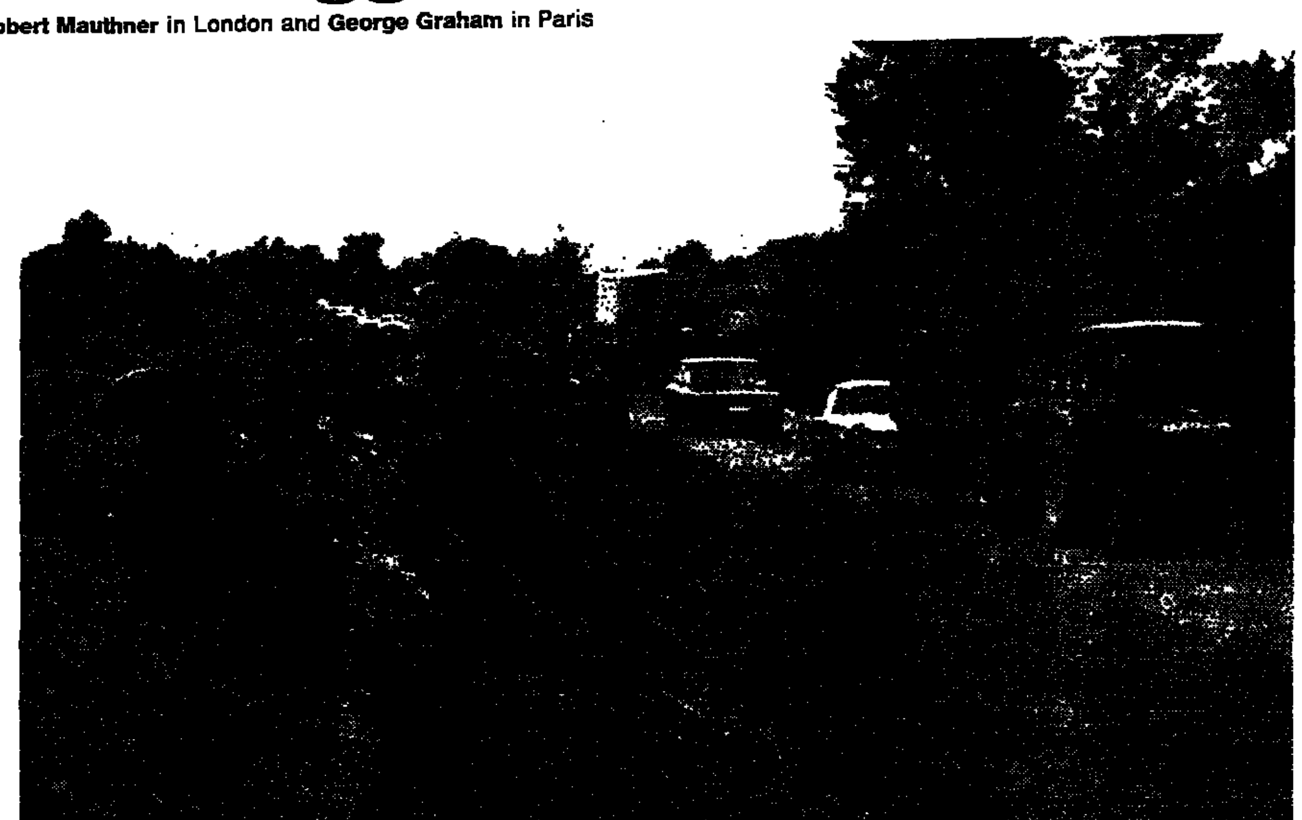
Mr Rühe said the peace force should be set up by the nine-member Western European Union (WEU), with or without the participation of Germany, which is constitutionally barred from sending its uniformed soldiers outside the country.

There is growing German anxiety about the civil war in Yugoslavia and frustration at the failure of the European Community to take more decisive action.

British officials said the time was not yet ripe for the despatch of such a force, echoing comments last Monday by Mr Douglas Hurd, UK foreign secretary, after a European Community ministerial meeting in Brussels.

Officials said the current priority was to establish a ceasefire between the Serbian and Croatian factions. That could not be brought about by military force, but the EC would do everything in its power to see it established by diplomatic means and to monitor it once it was in place.

However, Mr Hurd has not ruled out in principle sending a peacekeeping force in the longer run. If it were to be a European force, it would have to be under the umbrella of the 9-nation Western European Union.



Croatian National Guardsmen protect a convoy of refugees from the village of Kostajnica against Serbian snipers

Mr Roland Dumas, French foreign minister, who last week said he was in favour of sending a buffer force, yesterday repeated his fears that Yugoslavia might sink deeper into civil war. He said the first objective must be to establish an effective ceasefire.

However, French officials yesterday indicated that a buffer force would require a new mandate from the Council for Security and Co-operation in Europe (CSCE).

If the force were to be set up, they said, it would remain to be decided whether it should be under the aegis of the CSCE or of the WEU, and whether it should be armed or uniformed.

Mr Rühe, who is the second-in-command of the Christian Democrats to Chancellor Helmut Kohl, said in an interview yesterday: "I am a sceptic about the role of the peace observers," referring to the EC decision to step up its civilian observer team from 50 to as many as 200. "Will they be able to go into these areas and deter violence?

"It would be irresponsible not to prepare for a real peace mission of the WEU. I don't think the UN will do anything. We must prepare something that might deter the atrocities and hostilities," he said.

Mr Rühe said the other members of the WEU, led by Britain and France, should not be deterred by the German constitutional difficulty over using its troops outside the Federal Republic.

Commission advises EC talks with Austria

By Judy Dempsey in London

THE European Commission last night said it would advise European Community governments to open negotiations with Austria on admitting it to the bloc.

"The opinion (on Austria's application for membership) is essentially positive," Mr Frans Andriessen, the Community's External Relations Commissioner, told a news conference.

Mr Franz Vranitzky, the Austrian chancellor, said he was "pleased" about the outcome. "We are now looking forward to starting the substantial negotiations as early as possible", he said in a statement issued from his holiday home in Austria.

But Mr Andriessen said negotiations with Vienna should not begin for another two years to give the Community time to complete work on forging internal economic, monetary and political union.

"We do believe that it is not wise to start negotiations before 1993, but whether the Council (the member states) will follow that position or not I do not know," he said.

Austrian officials had been concerned that the country's neutral status, linked to the withdrawal of Soviet troops from its territory in 1955, would weaken its case for application for membership which it submitted in July 1989.

In particular officials in Vienna were worried that Brussels would question whether Austria's neutrality would interfere with the trading bloc's efforts to form a common foreign and security policy in the coming years.

Ireland is the community's only neutral nation. All the others belong to the Nato, the 16-nation western alliance.

Austria is a member of the six-nation European Free Trade Association, which has been working out ways to join the community's single market program in late 1992.

Mr Andriessen said Austria's neutrality could pose a problem as the EC tries to forge a common foreign and security policy which France, Germany, Italy and others say must extend to defence matters.

However, Mr Vranitzky yesterday stressed that Austria welcomed political union.

"Austria is not only looking for economic advantages. We welcome the setting up of the political union as a crucial step in the process of European unity, and as a country with a deep European orientation, we want to participate in it. We certainly accept that this involves also obligations and we will certainly fulfil them", he said.

The "opinion" by the commission will now be submitted to the foreign ministers of the member nations.

An applicant must receive approval of all members and by the European Parliament.

Famous names listed in Japan scandal

By Robert Thomson in Tokyo

MANY OF Japan's leading industrial companies, a Buddhist movement and a collection of individuals, were listed last night as having received unfair compensation from 13 large and medium-sized securities brokers for investment losses.

The 13 brokers said they reimbursed 386 clients a total of Y43.7bn ($317m) for trading losses incurred until March last year, adding to the list of 231 customers given a total of Y128.3bn by the Big Four securities houses – Nomura, Daiwa, Nikko, and Yamaichi.

Several leading companies appeared on both lists, including Matsushita Electric Industrial, Hitachi, the electronics companies, Toshiba and Nippon Steel.

But most interest last night was focused on the Y457m received by Soka Gakkai, a lay Buddhist movement which backs the opposition Komeito, or Clean Government party. That link will be embarrassing next week when the scandal is discussed at an extraordinary sitting of parliament.

There was also widespread speculation that some of the six individuals listed could be senior politicians, though it was unclear whether their identities would be revealed. They were identified by their initials or simply described as company directors.

The Japan Securities Dealers' Association said the publication of the new list of compensated clients showed that the practice was commonplace in the industry.

The compensation is not illegal, although the Ministry of Finance had asked brokers not to cover clients' losses, and it is illegal to promise reimbursement before an investment is made.

Among the 13 houses were New Japan Securities, Japan's fifth largest broker, and Kankaku Securities, as well as Kokusai Securities, Wako Securities, and Sanyo Securities.

Senior executives at several of the broking houses made public apologies for the compensation and promised that the practice would not be repeated.

The Tokyo Regional Taxation Bureau has ordered some of the 13 companies to pay additional taxes on the compensation, which it wants classified as "social expenses".

Several of the companies are already believed to have lodged revised taxation returns, and the new details provide taxation officials with evidence to press other houses for extra payments.

Nissan UK loses battle to retain franchise

By John Griffiths in London

NISSAN UK, the company controlled by Mr Octav Botnar which has distributed Nissan's cars for the past 20 years, yesterday in effect lost the decisive battle to retain its franchise.

The Court of Appeal refused to lift a High Court order preventing Nissan UK from taking action in the English courts against Nissan Motor Company's UK subsidiary, Nissan Motor Manufacturing (UK), pending the outcome of arbitration in Japan.

The judges also upheld the High Court's ruling that no injunction should be granted keeping Nissan UK's exclusive distribution agreement in place pending the outcome of the arbitration, because the relationship between the two sides had broken down "beyond repair".

Nissan Motor has served notice of its intention to sever all ties with the 78-year-old Mr Botnar's company at the end of this year and set up its own distribution operation.

After yesterday's judgment, which also awarded the appeal's costs against Nissan UK, Mr Daniel Ward, Nissan Motor Europe's director of corporate affairs, said the manufacturer now felt free to proceed immediately with the setting up of its own dealer network. It would not become operative until next year and in the meantime Nissan would continue to supply Nissan UK with cars until December 31.

The judgment evoked a bitter response from NUK: "In deciding that the matter should be determined in Japan, the Court has condemned Nissan UK to a process of arbitration which will take four to five years to complete", it said in a statement.

It complained that it had spent £350m building the network and that Nissan would now benefit, at no cost to itself, from the two decades of work Nissan UK had put into developing Nissan sales.

"Nissan UK regards this as a deplorable way of conducting business, especially given the enormous contribution of Nissan UK in building a substantial market for Nissan cars in Britain. A great injustice has been done to Nissan UK, its dealers and its many employees," its statement said.

Nissan decided to cut its ties with Nissan UK and indirectly with a Nissan UK associate company, AFG Holdings, which has about 180 Nissan dealers, after a series of rows about pricing, alleged breaches of contract and a failure to agree a price for the Japanese to buy out Nissan UK.

Lord Justice Dillon said fresh evidence put before the court by Nissan UK, showing that the relationship had worked "adequately well" since the end of last year and should be allowed to continue, only confirmed that the High Court's view was justified.

Lord Justice Bingham said that if Nissan UK's claims over the termination of its contract were well-founded, it would be entitled to "enormous damages" which the Japanese car group would be well able to pay.

But if those claims were not well-founded and an injunction had been granted, the Japanese company would have been forced to supply its important UK market through a distributor who it believed, rightly or wrongly, to have worked against its interests.

In court yesterday, Nissan UK made no application for leave to appeal to the House of Lords, although later a company spokesman said it would consider doing so.

Nissan itself is likely to move with high speed to set up its own network. It made clear yesterday it is anxious to begin repairing as soon as possible the damage caused to Nissan sales in the UK by the dispute.

Toyota plans, Page 7
Honda picks suppliers, Page 7

US index of leading indicators up

By Michael Prowse in Washington

THE US index of leading indicators rose 0.5 per cent in June to register its fifth successive monthly increase, the Commerce Department reported yesterday.

However, new orders for factory goods were weaker than financial markets had expected, falling 1.4 per cent from May.

The main factor pushing up the index of leading indicators was a lengthening of the average work week as industry expanded production. But it was also lifted by improving consumer expectations and lower claims for unemployment insurance.

The weakness of industrial orders and money supply, however, exerted a restraining influence.

The index of coincident indicators, which measures the current state of the economy, rose 0.3 per cent in June to register its third successive monthly increase. This supports earlier evidence that the economy began to revive in spring.

Movements of the leading and coincident indicators are consistent with the Bush administration's forecast of a steady but moderate economic recovery. There is no hint of the "double dip" recession feared by some forecasters.

Weakness in June factory orders was expected following last week's report of a drop in orders for durable goods. But yesterday's figures showed declining orders in most sectors, including non-durable goods. The weakness, however, may be partly a reaction to increases in orders in excess of 2 per cent in April and May.

WORLDWIDE WEATHER

THE LEX COLUMN

Asylum in the Abbey

FT-SE Index: 2,588.8 (-6.8)

It is not difficult to be Britain's most successful bank when you are not really a bank at all. Nevertheless, for Abbey National to achieve a 10 per cent jump in interim pre-tax profits in the midst of the worst housing recession since the Second World War seems a genuinely impressive performance. Perhaps the most interesting figure from the first half is one that was not actually disclosed yesterday. The net interest income margin on Abbey's retail business has by all accounts risen substantially, but remained conveniently obscured by overall group margins. These were depressed by lower returns from Abbey's substantially expanded treasury operations, which is perhaps just as well at a time when the government is sensitive about how lenders treat their customers.

Shareholders, meanwhile, will have few complaints. Income is rising faster than costs, the company's share of the UK's near £18bn liquid savings market has jumped from 8 to 12 per cent and there is reason to believe that bad debts – up fourfold since the first six months of last year – are nearing their peak. The company's provisioning is notoriously conservative and the indications are that the number of new customers in arrears is falling.

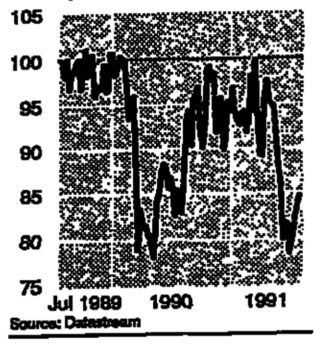
Abbey can still manage double digit earnings growth without any recovery in the UK housing market, something it would be unwise to count on this time round in the absence of rising inflation. Short-term progress in the shares, however, must be conditioned by the fact that, at 296p, they have outperformed the market by almost exactly 100 per cent in the two years since the flotation.

Finance directors

Yesterday's move by the finance director of Rolls-Royce to the same job at Allied Lyons is a reminder of the profession's curious penchant for musical chairs. One thinks of the finance directors of BTR and British Telecom swapping jobs three years ago, with the latter then going on to RTZ, or Cadbury Schweppes's finance director going to GrandMet.

There is evidently an element of scarcity value in an increasingly technical function. But the job also seems to stand outside the normal run of management. When finance directors abandon their specialisation, they are capable of some odd career choices. The founding finance director of BTR took on the chairmanship of Lowndes Queensway shortly before it went bust. A former finance director of GrandMet is now chief executive of Mountleigh. The lately retired finance director of ICI went on to the board of Brent Walker. There is more to business, it appears, than doing hard sums.

SmithKline Beecham
Share price relative to Glaxo



Source: Datastream

SD-Scicon

The final £162m offer from EDS for SD-Scicon looks like clinching the matter. By now, EDS is bidding only against itself and the residual reluctance of the institutions. Since it owns almost a third of the equity, it has the power to exercise creeping control whatever happens. SD-Scicon talks of denying EDS a place on the board, or at least using its blocking power to enter partnerships with EDS should the offer fail. But given the 25p gap between the 60p offer and the price before the bidding started, the risk of EDS walking becomes formidable, however sparkling SD-Scicon's profits forecast. With the shares only 1p below the offer, the market has placed its bets.

Lilley

The market has not really trusted Lilley since its costly shy at Tilbury in 1989. Yesterday's deal to bring in two of Spain's largest construction companies as investors – thus repairing the battered balance sheet and giving the company's accomplished contracting business a realistic chance to bid for larger contracts at home and abroad – may go some way to restoring shareholders' faith. While it all sounds fine in theory, there are still plenty of risks left in the market and no guarantees that the cultural blend will work out. Like Lyonnaise des Eaux and Générale des Eaux Dumez of France and Philip Holzmann of Germany before them, it is not surprising that the Spanish are taking a stake in the UK via a small company.

SB

The 2 per cent drop in SmithKline Beecham's shares yesterday seems slightly irrational. The market's present tendency is to look to growth in the company's sales rather than earnings, on the grounds that there is considerable discretion over cost savings and therefore reported profits in the early years of the merger. The mere 3 per cent rise in sales for the quarter is in unimpressive contrast to the 18 per cent rise in earnings. But it is exactly the same growth in sales reported for the first half by Glaxo, shares of which have handsomely outperformed those of SB in recent months and stand on a higher rating.

That said, the shares are not necessarily cheap at yesterday's 795p. Pharmaceuticals have been the third best performing sector in London since the turn of the year, which might seem slightly anomalous in the context of a market looking for economic recovery rather than defensive strength. And while SB has underperformed its sector, it is becoming slightly disturbing that its stock should be so far out of favour with US investors. While they may still be overweight in what is formally a UK-based company, they are at least as well equipped to judge its prospects as their UK counterparts. It may be that the discrepancy between the two classes of equity is merely technical. If so, it is time the company addressed it.

Weinberg

Scottish Amicable seems an unlikely addition to the racy collection of insurance whizz-kids brought together in J Rothschild Assurance. But its involvement as shareholder and investment manager would at least appear to rule out policies linked to the Korean national debt, Saatchi convertibles or other such exotic investments favoured by Lord Rothschild's own company. And if Sir Mark Weinberg were to secure even 10 per cent of the sales now enjoyed by the two life companies he set up previously, Amicable's stake could be worth twice the £12.7m it paid for it.

FINANCIAL TIMES

COMPANIES & MARKETS

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INSIDE

SmithKline Beecham up 17% to £230m

SmithKline Beecham, the Anglo-US pharmaceutical and healthcare group, boosted pre-tax profits 17 per cent to £230m ($386.4m) in the three months to 30 June. However, Bob Bauman, chief executive, said the 3 per cent increase in turnover to £1.16bn was disappointing and below target. Page 18

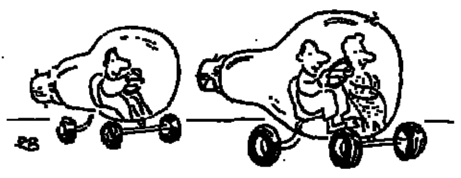
Eastman Kodak falls to $357m

Eastman Kodak's second-quarter profits were hit by weakness in its core photographic business. Net income was $357m on sales of $4.9bn, against profits of $384m on sales of $4.8bn a year earlier. Page 14

Mexico's prickly problem

Cactus leaves may seem unlikely food, but with the spines stripped off, or chopped up as salads and sold in Mexican street markets (above), they are delicious and healthy. Yet leaves are being thrown away for lack of a market — and news of a booming trade with Japan proved to be a hoax. Mexican growers are now trying to set up a marketing fund to help their business survive. Page 21

GM looks for a lasting impact



General Motors' public commitment to build the world's first mass-produced electric car may be wavering slightly as it comes to terms with some technical problems. Codenamed "Impact", the GM electric car has demonstrated top speeds of 100 mph and an acceleration of 0-60 mph in 8 seconds. Current battery technology, however, may be the key limiting factor. Page 20

Management siphon scheme

Jim Schadt has resigned as managing director of Cadbury Schweppes' worldwide beverage operations following the company's decision to move its top management from the US to Britain. Cadbury Schweppes said it wanted to integrate its headquarters' staff to ensure consistent global strategies and allow resources to be better allocated. Page 18

Spanish buy stake in UK group

Two leading Spanish civil engineering groups are buying a 21.5 per cent stake in the Glasgow-based Lilley building group. Page 19

Placer first-half profits slip

Placer Pacific reported first-half net profits down 15 per cent to A$24.3m (US$18.8m) after a sharp rise in tax and a slump in production by its Kidston Gold Mines subsidiary. Page 16

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Cetelem	744	+	31
Rises				Elf Aquitaine	351.7	+	4.2
Bayer-Hypo	365.5	+	6.5	Imetal	283	+	11
Commerzbank	252	+	6.5	**Falls**			
Industriekredit	245	+	8	Credit Lyonn	501	–	12
Verein-West	340	+	16	Peugeot	571	–	6
Falls				**TOKYO (Yen)**			
Allianz	2160	–	25	**Rises**			
Rheinelektra	1390	–	35	Godo Shusei	1100	+	100
NEW YORK ($)				Okuma & H			
Rises				Mech	709	+	71
Bethlehem Stl	17⅛	+	½	Oriental Photo	559	+	48
Microsoft	73½	+	¼	Teikoku Sen-I	1170	+	140
Sun Micro	30⅜	+	2	**Falls**			
US F&G	7⅞	+	⅛	Harima Chem	1530	–	170
Falls				Japan Casting	823	–	46
US Healthcare	31¼	–	1				
USX-Marathon	25⅜	–	⅛				
PARIS (FFr)							
Rises							
Accd Ente	1100	+	90				

New York prices at 12.30.

LONDON (Pence)				Unitech	286	+	10
Rises				**Falls**			
Abbey	57	+	5	Arlen	14	–	4
Barratt Devs	43	+	5	Baris	194	–	47
Cater Allen	333	+	10	Norweb	210	–	11
Control Sec	17½	+	3½	Ramsden's (H)	130	–	20
Copson (F)	30	+	5	Sumit	88	–	7
Cowie (T)	87	+	5	Telfos	57	–	7
Harland Simon	540	+	25	Wassoughs	350	–	46
Lilley	48½	+	4½	Yorks Water	376	–	15
Nthn Foods	511	+	12				
Royal Bk Scot	190	+	5				
Unit	60	+	10				

BMW sees good year after 8% rise

By Andrew Fisher in Frankfurt

BMW, the German luxury car manufacturer, lifted net profits 8.2 per cent to DM381m ($217m) in the first half of this year. It said it expected turnover and earnings to be higher for the full year, in line with increased production and deliveries.

However, like other companies in the German automotive and engineering sectors, BMW was critical of wage increases of nearly 7 per cent negotiated this year.

The group said that "these [pay rises] hinder all attempts to maintain Germany's position as a competitive industrial location".

BMW executives have said they are considering siting some production abroad because of the high costs and taxes in Germany and tougher foreign competition, especially from the Japanese.

Analysts say this could mean increasing local assembly rather than full manufacture.

With its latest model addition, the 3-series at the small end of the range, BMW was able to increase turnover by 4.2 per cent to DM14.4bn in the first six months.

Because of the change to the new model, car output was 5.5 per cent lower at 263,000 units.

However, production of the 3-series, for which waiting lists stretch into 1992, has been increased from 400 to 1,200 cars a day.

Total new worldwide registrations were about 270,000 cars, similar to the figure for the same period last year.

Deliveries to European customers rose by 6 per cent to 210,000 units.

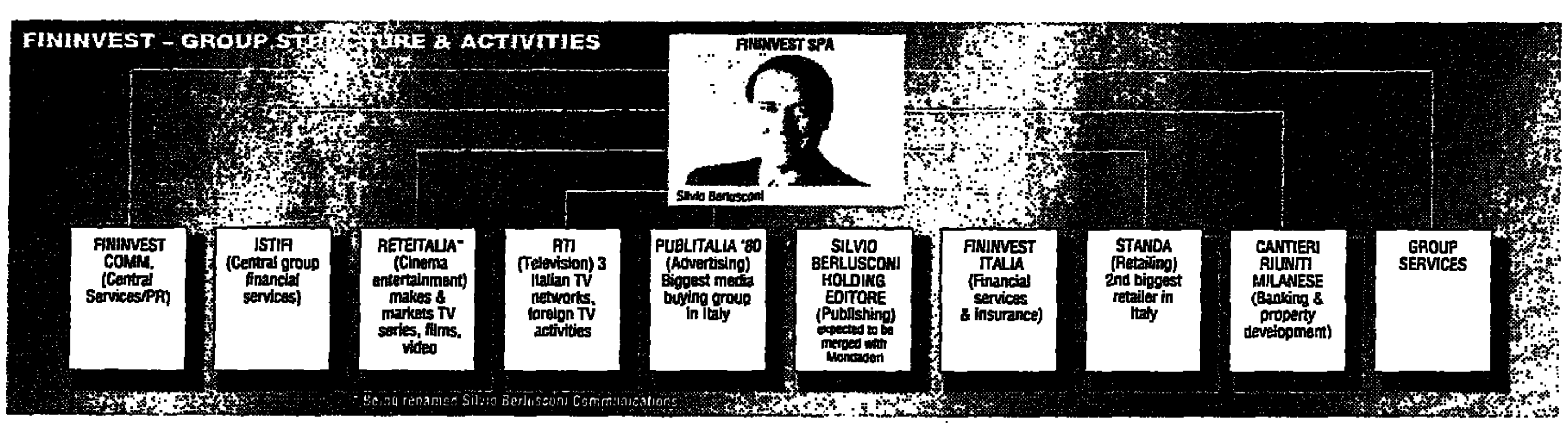
In Germany, where the car market has benefited from east German demand, BMW's sales were 14 per cent higher, at more than 120,000 cars. This domestic rise offset declines in other markets such as the UK and France.

Like other manufacturers, BMW had difficulties in the US. Its sales fell 24 per cent to 24,000 cars, although demand for the 3-series, which avoids the country's new luxury car tax, is helping sales.

BMW said there were signs that the world economy would start to improve in the second half of 1991, which should benefit the motor industry.

However, in Germany, the stimulation caused by unification would be followed by the effects of the higher taxes, duties and public indebtedness that reflected its financial cost. Thus, BMW said, domestic car demand would be likely to slow.

Haig Simonian looks at challenges facing the rapidly-expanding Fininvest group



Berlusconi borrows to build a dream

MR Silvio Berlusconi, the Italian media magnate, spent his early business days ferrying films across Italy via a team of motorbike riders to give the impression that he was running a nationwide television channel. Now Mr Berlusconi's privately-owned company, Fininvest, has grown to become Europe's second-largest media concern with significant property and investment holdings.

Following the acquisition this year of much of Mondadori, Italy's biggest publisher, Mr Berlusconi would like to go further.

Constrained by regulations at home, Fininvest is expanding core television activities elsewhere in Europe, especially in the former Communist-controlled east. Domestically, it is moving into new businesses, notably retailing, where it bought the Standa chain in 1988.

Group turnover this year should hit about L11,200bn ($8.4bn). Some L1.4bn of that will come from Mondadori, while SB-Supermercati Brianzoli, a regional supermarket chain bought last May, will contribute L450bn.

Fininvest is the third-largest private sector concern in Italy, with sales of L7,561bn last year and almost 35,000 employees. Yet the group is hesitant about revealing too much about its finances, especially debt.

The annual general meeting last month offered a rare glimpse into its affairs. Net group profits surged by 33.6 per cent to L190.5bn in 1990. But Fininvest's acquisitions have come at a price, with net group debt rising by 19 per cent to L2,417bn in 1990.

Spurred by the Mondadori deal, net borrowings are set to jump again this year, with forecasts of about L2,700bn-2,800bn by end-December. Many analysts warn that the company's debt figures understate the true position. Fininvest's figure of net debts at just L250bn in 1988 was recalculated at L1,370bn by analysts at Mediobanca, the Milan merchant bank.

Higher debt costs and difficulties in financing expansion from cash-flow – Fininvest's traditional motor for growth – may explain why Mr Berlusconi has been changing his tune about going public this year. Having adamantly rejected flotation, Fininvest revealed last January that it had commissioned Goldman Sachs to study the partial flotation of Silvio Berlusconi Communications (SBC).

Formerly known as Reteitalia, SBC is active in film, television and video production and distribution, and also manages a 300-cinema chain in Italy. However, its real gem is a library of about 6,000 films, which executives claim is worth L4,500bn-L5,000bn.

Mr Berlusconi has also hinted that he might refloat part of Mondadori. Under the peace agreement signed with Mr Carlo De Benedetti, his rival in the bitter battle for control that ended last May, Fininvest has emerged with the group's book publishing activities, most of its magazine interests and half of Manzoni, its media space-buying operation. Control of Manzoni is being shared with Mr De Benedetti.

Fininvest results 1988-90 (Lbn)

	1988	1989	1990
Sales	6,049	6,677	7,561
Net profit	181.8	142.6	190.5
Net debt	250	2,037	2,417

Source: Fininvest annual reports

It is difficult to estimate how much either SBC or Mondadori is worth. Fininvest's private structure means few analysts follow its affairs, while Mondadori's shares have been suspended for so long that many brokers have forgotten it is quoted.

However, selling minority stakes in both should bring in considerable cash. Mondadori's traditional book publishing business is firmly entrenched in Italy. It also owns 61 magazines, including Panorama, Italy's biggest-selling weekly newsmagazine.

Management, rather than money, will be Fininvest's big test. The group is still principally a one-man band, with Mr Berlusconi the key decision-maker. Critics say he cannot delegate.

Typically for an Italian private company, control is concentrated in the family. Last month's AGM brought both Mr Berlusconi's 22-year-old son Piersilvio and 25-year-old daughter Marina on to the main board. Mr Berlusconi's brother Paolo looks after the construction side of the business; and Mr Giancarlo Foscale, executive vice-chairman of Standa and the man responsible for group finances, is a cousin.

Even the small team of executives around Mr Berlusconi are confidants rather than professionals. Mr Fedele Confalonieri, who has been with Fininvest virtually from the start, manages the parent company. He also maintains contacts with the outside world, notably politicians.

Astute political links played a key part in Fininvest's growth. Mr Berlusconi's friendship with Mr Bettino Craxi, the Socialist leader, has been decisive, particularly during Fininvest's early days as a property developer in Socialist-controlled Milan.

Mr Berlusconi has already shown some awareness of potential management weaknesses as his group continues to grow. Last April, he hired Mr Franco Tato – ironically, a former top De Benedetti executive – to run Mondadori. More recently, Fininvest struck a complex deal bringing in Mr Gianfelice Franchini, whose family supermarkets chain was bought by Fininvest, as Standa's managing director.

Critics say such moves are not enough. Much of the problem lies in the fact that Fininvest has no real group identity. Mr Berlusconi's talent has been to assemble several "barons", operating beneath the tiny top management team, and running individual parts of the business.

"The current management is not in a position to run a system as complex as the Fininvest group, even if it were purely Italian," says one executive well acquainted with the group.

Several challenges lie ahead for Fininvest. A parliamentary amendment passed this year will curb the number of advertisements it can broadcast during certain types of programmes. The group claims this will cost $300m in lost revenues.

Fininvest, which owns three television channels, could also face competition from new licencees when nationwide franchises are awarded later this year. Meanwhile, advertising revenue in general has slowed during Italy's economic downturn.

Mr Berlusconi will be forced by new legislation to give up ownership of his Milan daily newspaper within the next year. The same ruling undoubtedly played a part in persuading him to compromise in the Mondadori battle. Meanwhile, anti-trust rules have forced Fininvest to sell 90 per cent of its new pay-TV venture.

Standa's results, although improving, remain disappointing and hopes for a quick turnround have been dashed. The company did not pay a dividend in 1990 – the third year in succession. In the longer term, it will need to invest heavily in modernisation and new store openings.

Mondadori must also be nursed back to health. Almost all of last year's L55.2bn net profits stemmed from extraordinary gains. The target this year is to break even, and move back into the black in 1992.

How much that will depend on synergies between Mondadori's publishing activities and Fininvest's TV, film and video operation is unclear. While merging Fininvest's magazine and publishing interests into the group could produce benefits, analysts are more cautious about the other synergies following disappointments with Mr Rupert Murdoch and Mr Robert Maxwell.

Nor will the flotations be easy. Fininvest says the Mondadori battle diverted attention from listing SBC. The float will probably not happen until next year. Mondadori's re-flotation will also have to wait for formal completion of the split with Mr De Benedetti later this year and Fininvest's own decision on how to restructure publishing activities.

Property development has become more difficult due to tougher zoning and planning rules. Current projects are appreciably smaller than those which made Fininvest's name.

Even political relations have become trickier as Fininvest has grown. Contacts between Mr Berlusconi and the Socialists have soured this year as he tries to broaden his political base. As growth continues, Fininvest will have to show it can still juggle all these challenges and more.

Columbia Gas turns to court in cash crisis

By Martin Dickson in New York

COLUMBIA Gas System, one of the largest natural gas transmission businesses in the US, yesterday filed for the protection of the bankruptcy courts because of a cash crisis stemming from heavy losses on long-term gas supply contracts.

Columbia surprised Wall Street in late June when it suspended its dividend and announced it could face losses of more than $1bn because of adverse gas price movements.

The company's June action put it in violation of a $1.25bn credit line – some $500m of which had been used. Columbia said yesterday it had been negotiating until Tuesday night with its banks, led by Morgan Guaranty, to re-establish the facility.

Mr John Croom, chairman, said that while progress had been made, it became apparent "that it would not be possible to conclude these discussions successfully during the time frame permitted by the system's current cash resources".

He added that although some gas producers had responded favourably to Columbia's proposals for renegotiating gas contracts, it was clear this issue could not be resolved quickly.

The bankruptcy filing will allow its principal pipeline subsidiary, Columbia Gas Transmission, to ask the bankruptcy court for an order allowing it to reject the gas contracts which are causing its problems.

A sharp fall in US spot market gas prices, because of warm weather and an abundance of supplies, has made Columbia's supplies uncompetitive.

Columbia's supplies are governed by so-called "take or pay" contracts stretching back many years.

Other large US gas transmission companies do not seem to be suffering from the same difficulties: many of these companies have successfully renegotiated problem contracts in recent years.

Mr Croom said the bankruptcy filing and the contract rejection would not affect the services provided by the company.

"Neither Columbia Transmission nor the Columbia System is going out of business," he added.

The group has some $1.25bn of long-term debt outstanding and has also defaulted on about $83.5m of short-term borrowings.

Columbia's shares, which stood at more than $34 before June's announcement, dropped $3¾ to $13¼ in morning trading in New York.

Profits at Dresdner Bank climb 7% in first half

By Andrew Fisher

DRESDNER Bank yesterday announced a rise of 12 per cent in its partial operating profits, to DM1.07bn ($611m) in the first half of 1991. It said it expected a good result for the full year.

The profits exclude trading on the bank's own account. Total operating profits, which include these, were 7 per cent higher.

As usual, no figure was given. Last week, Commerzbank reported a much steeper 38 per cent increase in partial operating profits, to DM813m.

Mr Wolfgang Roller, Dresdner's chief executive, said the 23 per cent stake which the Allianz insurance group had built up in the bank would contribute towards shareholder stability and help preserve its independence.

"A hostile takeover is a horrifying notion for a concern," he said. Nor was it a question of co-operation between a superior force – Allianz – and an inferior one. Allianz, which is much larger than Dresdner, announced the increase in its holding this week. In turn, Dresdner owns about 10 per cent of Allianz.

Germany's Federal Cartel Office intends to look at the competitive implications of the Allianz insurance group's 23 per cent stake in Dresdner Bank, but has not decided whether to launch a full investigation, writes Andrew Fisher.

A 25 per cent holding would automatically trigger a probe. But if the cartel office decides that Allianz's influence constitutes a de facto merger, then it will launch a full investigation.

Mr Roller also said the increased holding would cement the co-operative links forged between the two groups. Dresdner sells Allianz insurance policies through its branch network, with joint activities also planned in east Germany. Allianz owns a 51 per cent stake in east Germany's Deutsche Versicherung, the former state insurance concern.

Comparing the Allianz-Dresdner co-operation with the differing insurance activities of Deutsche Bank and Commerzbank, Mr Roller said: "In a European context, borders are disappearing, markets are expanding and marketing systems are being merged."

He said that Allianz had no intention of increasing its stake in the bank, which would also not raise its holding in the insurance group.

Mr Roller said the half-year increase was helped by higher lending volumes and improved interest rate margins.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 01.08.91: Pool purchase price £/MWh	Final Prices for Trading on 04.07.91: Pool purchase price £/MWh	Final Prices for Trading on 04.07.91: Pool selling price £/MWh
0030	17.00	15.95	15.95
0100	17.00	15.95	15.95
0130	15.52	15.95	15.95
0200	17.00	15.95	15.95
0230	15.52	15.95	15.95
0300	15.51	15.95	16.05
0330	15.51	15.95	15.95
0400	15.51	15.95	15.95
0430	15.51	15.95	15.95
0500	15.52	15.95	15.95
0530	15.48	15.95	15.95
0600	15.51	15.96	15.96
0630	15.54	15.95	16.85
0700	20.57	16.30	16.30
0730	20.57	18.10	19.98
0800	17.18	20.91	22.85
0830	18.12	20.98	22.90
0900	18.28	21.05	22.99
0930	23.50	21.13	23.08
1000	29.05	21.18	23.12
1030	29.05	21.21	23.18
1100	21.41	21.27	23.25
1130	21.41	21.43	23.48
1200	21.41	21.52	23.57
1230	21.41	21.47	23.51
1300	21.41	21.31	23.30
1330	21.41	21.12	23.07
1400	21.41	21.05	22.98
1430	21.41	21.03	22.95
1500	21.41	21.03	22.95
1530	26.77	21.04	22.97
1600	26.58	21.11	23.06
1630	21.41	21.21	23.19
1700	21.41	21.23	23.21
1730	21.41	21.13	23.09
1800	21.41	21.00	22.94
1830	18.12	20.90	22.83
1900	17.34	18.56	20.44
1930	17.18	18.40	20.26
2000	17.18	18.40	20.28
2030	17.18	18.10	19.98
2100	17.18	18.10	19.98
2130	17.18	19.74	21.62
2200	20.59	20.34	22.22
2230	20.59	20.34	22.21
2300	17.18	19.74	21.57
2330	17.18	19.74	21.61
2400	17.18	17.95	19.82

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

INTERNATIONAL COMPANIES AND FINANCE

US insurers fail to turn the tide

By Karen Zagor in New York

THE TROUBLED state of the US insurance industry was *borne out in the second-quarter* results of Travelers and USF&G.

Travelers, the multi-line insurer which upset investors last autumn when it took big provisions for potential losses on its property investment interests, turned in second-quarter net income of $91m, or 85 cents a share, 11 per cent below the $102m, or 98 cents, reported in the 1990 second quarter. Revenues were unchanged at $3bn.

Excluding realised investment gains and losses and extraordinary taxes, Travelers' income in the quarter rose 6 per cent to $94m, or 89 cents a share, from $89m, or 85 cents, in the year-earlier period.

Mr Edward Budd, chairman and chief executive, said: "We see no indication that real estate markets have bottomed in most areas of the country. Opportunities for sale of foreclosed properties at reasonable prices are severely limited."

US consumers have grown *increasingly* uneasy in the aftermath of the seizure by *state regulators of California's* Executive Life and Mutual Benefit of *New Jersey*.

Travelers said yesterday that its real estate reserves had stood at $955m at the end of the second quarter. Mr Budd said these reserves and highly liquid assets of $10bn, combined with statutory capital of $3.86bn, provided strong security for Travelers' customers.

USF&G, the large but troubled US insurance group, sank further into the red in the second quarter with a net loss of $56m, or 77 cents a share, against net income of $5m, or 1 cent, in the 1990 quarter.

For the first half, the composite insurer's net loss was $111m, or $1.47 a share, against income of $56m, or 57 cents, in the first half of 1990.

Mr Norman Blake, the chairman, who was brought to USF&G in November, said the results reflected catastrophe losses of $46m, the highest for any quarter of the company's history.

Varity's move to Buffalo endorsed by shareholders

By Bernard Simon in Toronto

SHAREHOLDERS of Varity have overwhelmingly approved a plan to transform the 144-year-old Canadian farm machinery and industrial products group into a US company.

After two years of controversy, *the shareholder vote* clears the way for Varity to *move its head office from* Toronto to Buffalo, New York, *and to incorporate in the US* state of Delaware.

At the same time, the company's shares, which trade at slightly above US$2 apiece, will be consolidated in a one-for-10 reverse split.

Varity, formerly Massey-Ferguson, was widely criticised in Canada for the decision to pull up its roots.

The company, which had been kept afloat in the early 1980s by financial support from the federal and Ontario governments, earlier reached a settlement to enable it to break a pledge to keep its head office in Canada. A court challenge by the federal government was unsuccessful.

Varity has already bought an elegant mansion in Buffalo for *its new head office*, and is expected to move within the *next few* weeks.

Mr Victor Rice, chairman, *said Varity had for some time* been "a US company with a *Canadian address". He pre*dicted that the move would generate greater interest in Varity's shares from US securities *analysts* and investors.

Mr Rice said the company's highest priority was to cut its debt, partly to make the fullest possible use of US tax-loss carry-forwards.

Despite a US$29.7m first-quarter loss, Mr Rice predicted a profitable year. He cautioned, however, that markets for Varity's main products – farm equipment, automotive parts and diesel engines – remained sluggish.

Kodak slips to $357m as film business disappoints

By Karen Zagor

EASTMAN Kodak, the world's *biggest* producer of photographic products, yesterday *reported lower net income* for the second quarter, with weak*ness in the core photographic* business more than offsetting gains in its health operations.

Kodak's net income in the quarter was $357m, *or $1.10 a* share, on sales of $4.99bn, against profits of $384m, *or* $1.19, on sales of $4.87bn a year earlier. Pre-tax earnings fell 12 per cent to $583m from $662m.

Earnings from operations fell 11 per cent to $754m from $844m, and revenues from the core imaging segment declined 3 per cent to $1.89bn.

For the first half of 1991, Kodak's net income dropped 8 per cent to $535m, or $1.65, from $583m, or $1.80, a year ago. Sales rose 5 per cent to $9.41bn from $8.93bn. Earnings from operations slid 10 per cent to $1.21bn from $1.34bn.

Mr Kay Whitmore, president and chief executive, blamed the lacklustre economy and constraints on demand for the weak earnings. He said good manufacturing margins, particularly in photographic film and paper, were offset by higher selling and advertising expenses and R&D spending.

"*To meet* 1991 expectations, our health and chemicals *groups must perform on plan*, while the photographic and *commercial imaging groups* must take advantage of the *expected recovery in the US* economy," Mr Whitmore said.

Ms Kimberly Ritrievi, an analyst at PaineWebber, said the earnings were in line with her projections. She expects Kodak to earn $3.70 a share in 1991 and $4.25 in 1992. "Our biggest concern in Kodak's core business is that currency translations will start to be negative in the second half." Nearly half of Kodak's sales come from outside the US.

Mr Alex Henderson, an analyst at Prudential Bache Research, expressed concern about Kodak's plans to spend 29 per cent of sales revenue on advertising. He has reduced his 1991 earnings estimate to $3.65 a share from $3.70.

TWA debt package given mixed reviews

By Martin Dickson in New York

A FINANCIAL restructuring plan for Trans World Airlines, requiring its chairman, Mr Carl Icahn, to relinquish majority ownership, was welcomed yesterday on Wall Street. Credit analysts, how*ever*, said it would still leave the heavily-indebted US carrier *with* substantial long-term operating problems.

Mr Icahn, who owns some 90 per cent of TWA's equity, *would end up with* between 20 and 45 per cent of the airline's common *stock under a com*plex agreement announced late on Tuesday.

Most of the equity would be placed *in the hands of* creditors. The deal would also involve Mr Icahn *personally* investing an additional $35m.

The plan would *eliminate* about $1bn of debt from the company's balance sheet, sharply cutting its interest bill, and would leave it with about $400m in cash.

The agreement follows months of wrangling between TWA, which began defaulting on bond payments last February, and committees representing its creditors. These had threatened to end up in long and acrimonious bankruptcy proceedings.

The pact would involve TWA filing a "pre-packaged" Chapter 11 bankruptcy reorganisation. *This mechanism allows* the company's stay in bankruptcy to be very brief – TWA hopes between 60 and 90 days – but it depends on the company reaching prior agreement with its creditors.

The agreement has been approved by most of TWA's creditor groups and is therefore expected to go ahead, although it could still be rejected by rank-and-file bond holders. TWA hopes to implement the scheme early next year.

Standard & Poor's, the credit *rating agency, said yesterday* that a pre-packaged bank*ruptcy* would lighten the debt burden, but added that "the *airline continues to face* long-term problems of a weak*ening competitive position*, an ageing fleet and difficult *labour relations*".

S&P noted the group's balance sheet carried $2.7bn of debt and capitalised leases at *March* 31 and *said* "badly needed upgrading and modernisation of TWA's fleet would require substantial additional financing, probably in the form of *leases*".

The company's debt problems go back to 1988 when Mr Icahn, who had acquired control of the airline in the mid-1980s, borrowed heavily to take the business private.

Large second-quarter losses at America West

By Martin Dickson

AMERICA WEST Airlines, a Phoenix-based regional carrier which *filed for Chapter 11* bankruptcy protection in June, yesterday announced large second-quarter losses and a $100m cost-saving programme which would involve job losses, cuts in its fleet and route realignments.

The company, one of the new non-union airlines which started operations in 1983 following the industry's deregulation, lost $30.9m, or $1.54 a share, in the second quarter on operating revenues of $378.5m. During the same period of last year it made $6.1m, or 29 cents, a share, *on operating revenues* of $326.1m.

Mr Edward Beauvais, the chairman, said the *cost-cutting* programme included personnel *reductions at all levels* and cuts in the size of the airline's *fleet*. The *airline* employs 15,000.

He said America West expected to cut its fleet from around 115 aircraft to between 90 and 100 *for the rest of the year*.

Other cost-cutting measures include a pay freeze implemented on July 1 and a 10 per cent across the board salary cut in effect from today.

The company noted that while the second-quarter figures showed continuing improvement over the previous two, when it lost $56.3m and $49.9m, they were nevertheless *"disappointing."*

Rothschild and Weinberg link up

By Norma Cohen, Investments Correspondent, in London

SIR MARK WEINBERG, Britain's most successful insurance salesman, yesterday launched his third foray into the business, setting up another life assurance company, this time with Lord Rothschild.

The company, to be called J Rothschild Assurance, will be led by two former top executives of an earlier Weinberg venture, Allied Dunbar. Mr Mike Wilson and Mr Keith Carby will be chief executive and managing director respectively.

St James's Place Capital, Lord Rothschild's investment management company of which Sir Mark is a full-time executive director, is investing £25.4m and will have a 40 per cent stake in the company, which is expected to be operational by January 1992.

Sir Mark said the group would seek a flotation of the company "at the earliest possible time", most likely in five years. The company is unlikely to have positive cash flow for the first three to four years, he said.

Scottish Amicable, the Glasgow-based insurance company, is investing £12.7m, taking a 20 per cent stake in the venture, and providing operational services.

Mr Roy Nicolson, managing director of Scottish Amicable, said his company would provide administrative services for the new company and will be one of its two fund managers.

The other fund manager will be Lord Rothschild's Bishopsgate Progressive Unit Trust Management Company, one of the top performing managers over the past 10 years.

The remaining 40 per cent share will be held by management and staff, with Sir Mark, Mr Wilson and Mr Carby holding roughly 17 per cent of shares. The remaining 23 per cent stake will be distributed to sales staff as part of their commission payments.

Yesterday's announcement coincided with the lifting of a ban imposed by Allied Dunbar on Mr Wilson and Mr Carby, barring them from entering a competing business.

Sir Mark took the two men with him when he resigned as chairman of Allied Dunbar last October. Allied Dunbar then altered the terms of its sales staff contracts so that after today, sales executives cannot solicit business from former clients for a year after leaving the firm.

Mr Wilson said that J Rothschild Assurance was only seeking experienced sales staff with a proven client base. "Inevitably it means taking staff from other companies," he said, although the firm will also try to recruit those working as independent agents.

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Abbey National climbs 10% at halfway

By David Lascelles, Banking Correspondent, in London

ABBEY NATIONAL, the building society-turned-bank, yesterday produced upbeat results for the first half of the year, suggesting that the worst of the mortgage market slump may be passing.

Pre-tax profits of £308m ($492.8m) were up 10 per cent on the first half of 1990. After tax, profits were £205m, an increase of 12.6 per cent. These figures were at the higher end of analysts' expectations and confirmed Abbey had made headway despite the economic downturn.

The result was dampened by a more than fourfold increase in bad debt provisions to a record £58m, mostly because of mounting repossessions of homes from buyers hit by the recession.

However, Mr Peter Birch, chief executive, said there were early signs that the rate of increase in arrears had begun to slow. He predicted that Abbey's provisions in the second half would be lower, "all other things being equal". Abbey hopes that the fall in interest rates will restore confidence to the housing market.

Abbey's results follow better-than-expected figures from Lloyds Bank last Friday, and reinforce a cheerful start to the banks' interim results season, which continues with Barclays' results today and Midland's tomorrow. NatWest and Standard Chartered report next week.

Although the UK mortgage market is estimated to have shrunk by about 16 per cent since the first half of 1990, Abbey says it increased its share of the market to 12.2 per cent. Deposits and savings by customers rose by £3.2bn, boosting Abbey's share of liquid savings over the 12 months from 7.1 to 11.9 per cent.

The treasury operation, now managing £11.4bn of assets, had a strong first half as the spreads on its portfolio of investment assets widened.

The estate agency business lost £7m against a £9m, and other operations lost £6m (£3m). These consist of property development and businesses in Spain, which made a loss, and in France, where there was a profit.

Abbey's costs rose slightly to 44.8 per cent of its income, but Mr Birch said this reflected the group's investment costs of £65m in new systems and branches.

The bank's capital position remains strong with a risk:asset ratio of 12.1 per cent, but Abbey warned that it might have to make a £10m contribution to the bail-out of depositors in Bank of Credit and Commerce International.

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COMPANY NEWS IN BRIEF

TELEFONICA de España and Fiat have agreed to set up a factoring company to finance their respective suppliers in Spain with the goal of building business volume to about Pta300bn ($2.73bn), Reuter reports.

The agreement was signed by Telefonica, Fiat Credit International and Fiat Financiera, the latter 50 per cent owned by Corporacion Financiera Hispamer. The company will have financing from Banco Hispano Americano.

■ Dutch aircraft maker Koninklijke Nederlandse Vliegtuigenfabriek Fokker expects to announce new orders in the US for its Fokker-100 twin-engined passenger jets, Reuter reports.

"There will be orders, but we don't know when," Mr Bart van Veen, a Fokker spokesman said from Chicago, where company executives are delivering the first of 75 new Fokker 100s to American Airlines. "If they (new orders) come, they will be substantial," he added.

■ GEC Alsthom NV and Fiat Ferroviaria announced the signing of their long-awaited co-operation accord which is part of a broader partnership between France's Alcatel-Alsthom SA and Fiat of Italy, Reuter reports.

GEC Alsthom said its link with Fiat Ferroviaria would focus on high-speed trains. Fiat and Alcatel-Alsthom signed the original partnership and cross-shareholding agreement in October 1990 concentrating on rail transport, car batteries and telecommunications.

Originally, Alcatel-Alsthom was planning on buying a majority stake in Fiat Ferroviaria; the plan was scrapped in April in favour of a more general co-operative arrangement.

■ Ente Nazionale Idrocarburi, Italy's state-controlled energy group, has signed a broad collaboration accord with Sonatrach of Algeria, intensifying the existing relationship between the two groups, AP-DJ reports.

The agreement was signed in Algeria by Mr Gabriele Cagliari, ENI chairman, and Sonatrach director Abdelhak Bouhafs. It calls for the two companies to work closely in the natural gas and petrochemical sectors, and includes the possibility of future joint production of liquefied petroleum gas (LPG). The agreement also calls for technical and scientific co-operation between the two groups.

■ Jean Philippe Fragrances has acquired two French fragrance companies, Inter Parfums and Selective Industries.

The two companies were previously owned by Mr Jean Madar, the president of Jean Philippe, and Mr Philippe Benacin, the controlling shareholders of Jean Philippe.

German ball-bearing group down sharply

By Andrew Fisher

KUGELFISCHER, the German bearing and industrial systems manufacturer, suffered a steep fall in profits in the first half of this year as a result of poorer demand in foreign markets and pressure on prices because of stiff competition.

The company said its parent company net profits dropped from DM36m ($20.5m) to DM7m. It gave no figure for group profits, which came down last year from DM102m to DM59m. Around 4,000 of the company's German workforce of some 20,000 people are on short-time working, and jobs are also being reduced through early retirement and non-replacement of those leaving.

The company said that profits were hit by the need to cut production because of declining order books, as well as by this year's high wage settlements and higher interest rates.

Group turnover, including foreign activities, held up during the difficult trading period, with the first-half total of DM2bn only marginally below that of the same period of 1990.

However, the figure included new acquisitions such as IBL (Ballscrews) of the UK; Barden, the US precision ball-bearing company, and DKF Deutsche Kugellagerfabriken, the east German ball bearing concern.

Kugelfischer said turnover held up well in Germany, with a fall in the foreign business share of the total from 61.4 per cent to 58.4 per cent. Helped by the acquisitions, turnover in bearings edged up by 0.9 per cent to DM1.53bn. However, sales in the industrial systems division – including industrial sewing machines, hydraulic brake parts, grinding wheels, and measuring instruments – were 12 per cent lower at DM416m.

The company said group turnover for the full year would be lower as a result of the weaker trend in new orders, with short-time work continuing. Profits would thus show a further decline.

No recovery in market this year, warns British Steel

By Charles Leadbeater, Industrial Editor, in London

BRITISH Steel warned yesterday that recovery in the steel market would be delayed until next year. The remarks will be taken in some quarters as confirming the Confederation of British Industry's gloomy forecast for the economy, as reported in its Industrial Trends Survey.

Sir Robert Scholey, British Steel chairman, told the company's annual meeting that difficult trading conditions would persist into next year. He warned further that any improvement in the steel market would depend on the UK economy and on the other main economies moving forward, and he said that there were no signs of a recovery from a particularly tough first three months of the year.

His statements suggest the company will face further pressure on its profits after a 65 per cent decline in pre-tax profits to £254m ($426.7m) for last year. Institutional analysts believe British Steel's profits for 1991-92 could fall to £100m or below.

Sir Robert's sombre assessment of the economic outlook was in line with the CBI survey published on Tuesday which said that there was no sign of a recovery.

The outlook at British Steel largely reflects the depressed state of the UK manufacturing and construction industries.

Exports were up 10 per cent but British Steel still sells about 60 per cent of its steel in the UK.

Sir Robert also called for restructuring within the European steel industry to cut inefficient capacity.

He pointed out in his speech that: "The market weaknesses, coupled with the increasing vigilance on the part of the European Commission in respect of state aid, should promote producers to look more seriously at the whole question of restructuring and capital investment."

Sir Robert warned that there was a risk that state subsidies might filter into public-owned parts of the industry, giving it a false sense of security.

British Steel is particularly concerned by the recent agreement for Credit Lyonnais, the French state-owned bank, to pay FFr2.5bn ($420m) for a 10 per cent stake in Usinor-Sacilor, the French state-owned steelmaker.

Sir Robert defended the company's decision to close several facilities in Scotland, including its hot strip mill at Ravenscraig, the tube mill at Clydesdale and its plate mill at Dalzell.

The company intends later this year to assess the details for proceeding with plans for a new plate mill near Teesside. Analysts calculate it would cost more than £400m.

Hughes Aircraft backs private satellite plan

By Charles Leadbeater, Industrial Editor

HUGHES Aircraft Company yesterday threw its weight behind a US private-sector plan to create a global satellite telecommunications network, which will challenge the near monopoly enjoyed by a consortium of telecommunications utilities in international satellite services.

Hughes published a memorandum of understanding with Alpha Lyracom, the private satellite operator.

That preliminary step may lead to a wide-ranging joint venture between the two groups. The deal could be worth between $500m (£298m) and $650m.

Alpha Lyracom entered the satellite services business three years ago with the launching of its PanAmSat transatlantic satellite. That represented the first challenge to the monopoly on international satellite services run by Intelsat, a consortium of telecommunications utilities.

The understanding between Hughes and Alpha Lyracom, which is designed to act as the basis for a detailed agreement due to be signed on August 15, is intended to create a global satellite network by the mid-1990s.

The deal is further evidence of the way in which international telecommunications markets are gradually being opened up to competition.

Alpha Lyracom will set up the system, to be called ORBX, using three advanced satellites which it is ordering from Hughes. These will be positioned above the Atlantic Ocean , the Pacific Ocean and the Indian Ocean to provide a global service to broadcasters, large companies and other intensive users of telecommunications.

The satellites are scheduled for launching in the first quarter of 1994.

Alpha has signed several complementary agreements with Hughes Communications and Hughes Network Systems for co-operative marketing for ORBX and Hughes services, including domestic and international satellite capacity.

Record profits at Hafslund

HAFSLUND Nycomed, the Norwegian pharmaceutical company, has lifted second-quarter pre-tax profits to a record NKr288m ($42m), compared with NKr255m in the same period last year, writes Robert Taylor in Stockholm.

However, pre-tax profit for the first half of the year was NKr539m, only NKr1m more than for the same period of 1990. The main reason for this is the rise in the value of the dollar, which led to a net loss of NKr94m in foreign exchange. Net financial items brought a loss of NKr193m.

For the first half of the year, operating revenues rose 35 per cent to NKr2.57bn, while the company's operating profit, before research and development, increased by a similar proportion, to NKr996m.

The company said that because since it had substantial revenues in US dollars, the loss would be gradually offset.

The company's success stems from its sale of omnipaque, an injected liquid used to highlight X-rays of soft tissue.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Newmont and BHP merger lifts earnings

By Mark Westfield in Sydney

THE MERGER of BHP Gold Mines and Newmont Australia has produced a promising first-half result for 1991 with after-tax earnings of A$25.15m (US$19.4m), well on track for projected full-year earnings of A$60m.

The addition of BHP Gold's revenues into Newcrest has more than doubled pre-tax profits of the old Newmont to A$33.54m.

The results were tempered by production hitches at the company's big Telfer gold mines, and falling world prices for Newcrest's mineral sands output during the period.

Newcrest has revised its full-year gold sales estimate downwards 20,000oz to 715,000oz, because of delays in introducing a new kind of processing at Telfer. Newcrest expects a better second-half result for the company overall in spite of this setback.

Newcrest directors reported that the drilling of gold veins at the 20 per cent owned Boddington joint venture had defined a "significant resource".

Average gold costs for the second quarter were up to A$384 an ounce from the first-quarter's A$344 because of the delays at Telfer.

Newcrest has been realising gold prices of about A$570 an ounce, about A$100 above the average spot price, through its hedging programme.

Newcrest sold its 55 per cent holding in the Gympie gold prospect to Devex for A$3.5m, realising a A$1.60m profit. Newcrest decided not to declare an interim dividend.

Placer Pacific first-half profits slip

By Mark Westfield

A SHARP rise in tax and a slump in production by its Kidston Gold Mines subsidiary pushed Placer Pacific's first-half net profits down by 15 per cent to A$24.3m (US$18.8m).

Total revenues for the six months were up 20 per cent to A$258m because of surging production from its 30 per cent owned Porgera gold mine in Papua New Guinea.

Placer Pacific's operating profit before tax represents a 1 per cent increase on the previous corresponding period to A$45.1m.

The 229 per cent tax increase to A$20.1m from A$6.1m, reflecting the 35 per cent tax rate imposed on gold production by the PNG government, dragged down net earnings.

Interest costs were up from A$6.3m to A$9.3m and depreciation, due mainly to the inclusion of Porgera, increased to A$62.5m from A$42.8m.

The profits rise from Placer's Porgera share, however, more than offset the 84 per cent drop from A$13.7m to A$5.3m in earnings from Kidston Gold.

Kidston decided last year to step up mining before the Australian government's gold tax came into effect on January 1, leaving the ore body heavily depleted. Production from the mine for the first six months of the year fell to 94,350 ozs from 121,700 ozs in the same period last year.

Porgera's potential is demonstrated by Placer's latest quarterly production report which estimates that total production will exceed 900,000 ozs in 1991 and more than 1m ozs next year.

Placer's share for the six months just gone was 148,400 ozs.

Production costs are running at A$83 an ounce, compared with a typical Australian mine's cost of A$300 an ounce or more.

The Australian gold price yesterday was A$468 an ounce.

Coles Myer to shed 800 jobs in supermarkets

COLES MYER, Australia's largest retail group, is shedding 800 workers from Coles Supermarkets, its national chain, in response to poor market conditions, Reuter reports from Melbourne.

The group said that the jobs to be lost represented about 2 per cent of its 45,000-strong workforce.

Mr Richard Thomas, director of corporate affairs, said that the programme of redundancies affected staff at all levels of the business, from shop floor to management.

Mr Thomas explained the decision: "The present environment in terms of sales and profitability and the competitive nature of the industry simply requires that one operates at the most efficient and economic sales levels."

Coles Myer is expected to announce its sales revenue figures for the year to July on August 5 and its full results in mid-September.

Coles Myer reported a net profit of A$365.1m (US$282.5m) in the year to July 29, 1990 on total sales of A$14.72bn.

Lane Crawford reports profits down by 33%

LANE Crawford International, part of the World International property group founded by Sir Y.K. Pao, yesterday started the group's reporting season by announcing a sharp fall in profits as margins were eroded by higher operating costs, writes Angus Foster in Hong Kong.

The company, an up-market retailer, announced that profits attributable to shareholders fell 33 per cent to HK$120.7m (US$15.4m) for the year to the end of March. It said higher inflation, a slower economy and the Gulf war combined to make the year "very difficult".

Lane Crawford is recommending a cut in its final dividend, to total 60 cents per A share and 6 cents per B share, compared with last year's 80 cents and 8 cents respectively.

● A GROUP of minority shareholders in Crocodile Garments is to try to invalidate a property transaction between the company and its controlling shareholder, Lai Sun Development. The group, represented by Anglo Chinese Corporate Finance, claims the transaction was detrimental to Crocodile and yesterday filed a petition in the High Court. The case resumes on August 12.

Although Turnover improved slightly to HK$1.43bn. profits and margins were affected by higher costs, especially higher rentals for four leased stores.

Pancontinental deal 'was fair'

TROUBLED Pancontinental Mining's proposed sale of its Jabiluka uranium deposit to rival Energy Resources of Australia (ERA) for A$125m (US$96.8m) was fair and reasonable, according to an independent report to shareholders who need to approve the deal, writes Mark Westfield.

Grant Samuel and Associates, the merchant bank, said Pancontinental was likely to have negative cashflow this financial year, which made the sale inevitable. Jabiluka could be worth more than A$125m to ERA, which operates the Ranger uranium mine 15km away, but could be worth between A$20m and A$100m to a third party. Jabiluka contains an estimated 204,000 tonnes of uranium oxide.

Dofasco orders increase 'may herald a recovery'

By Robert Gibbens in Montreal

DOFASCO, Canada's biggest steelmaker, was hit hard by the recession in the second quarter, but says that a modest increase in orders may herald a recovery.

The June quarter showed a loss of C$24.6m (US$21.5m), or 47 cents a share, against a profit of C$27.7m, or 32 cents, a year earlier, on revenues of C$558m, against C$595m. The latest period includes a C$25m restructuring charge.

Dofasco attributes the loss to poor demand and low prices, as well as the impact of the high Canadian dollar. The company specialises in rolled products, particularly sheet metal for the car and appliance industries. Demand has bottomed out recently, says Dofasco, although prices are still depressed.

The first-half loss was C$13.4m, or 40 cents, against a profit of C$37.7m, or 37 cents, on revenues of C$1.06bn, compared with C$1.17bn.

Dofasco has already written off its investment in Algoma Steel and will not invest any more money in its former subsidiary. Dofasco now has nearly C$1bn of debt, while Algoma is trying to restructure its own C$800m debt.

Singapore Electronic offer 187 times oversubscribed

A PUBLIC share offer by state-run Singapore Electronic and Engineering (SEEL) has been oversubscribed 187 times, emphasising the strength of local interest in new share offers, Reuters reports from Singapore.

Investors applied for 3.58bn shares after an offer of 18.98m existing shares of 50 cents each at S$1.25, according to the Development Bank of Singapore.

SEEL, a unit of Singapore Technologies Industrial Corp (STIC), is an electronic systems company involved in various sectors, including the communications, defence and automation.

It is the third time in a month that a public share offer by a company seeking listing on the Stock Exchange of Singapore has been heavily oversubscribed.

An offer of 34.15m shares by another STIC subsidiary, SAL Industrial Leasing, was 106 times oversubscribed, while an offer of 39.17m shares by the computer systems firm CSA Holdings Ltd was 48 times oversubscribed earlier this month.

Investor interest on the local market has been focused on new issues, which are commonly regarded as a guaranteed way of making quick profits in Singapore.

Losses mount at Lavalin

By Robert Gibbens

LAVALIN Industries, a principal publicly-held company in the troubled Lavalin engineering group, has reported a loss of C$22.9m (US$19.9m), or C$1.95 a share, for the nine months toMay 31, against a loss of C$2.3m, or 20 cents, a year earlier.

Sales declined to C$331m from C$379m.

Kemtec, a petrochemicals subsidiary, accounted for most of the latest loss, but the UTDC rail equipment subsidiary also lost money. Kemtec has been shut down as part of efforts to keep the Montreal-based parent company afloat, and has been put up for sale.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on July 31

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101¾	102¼	+⅛	7.55
ALBERTA PROVINCE 9 3/8 95	600	103¾	104¼		8.24
AUSTRIA 8 1/2 00	400	98¾	99¼	+¼	8.70
BANK OF TOKYO 8 3/8 96	100	99⅛	99⅜	+⅛	8.59
BELGIUM 9 1/8 92	400	101⅞	102⅛	-⅛	7.30
BFCE 7 3/4 97	150	98¼	98¾	+⅛	8.13
BNP 8 5/8 94	300	102	102¼	+⅛	7.85
BP CAPITAL 9 5/8 93	150	102⅝	103⅛	+⅛	7.59
CANADA 9 96	1000	103½	103⅞		8.03
CARCO 9 1/4 96	650	100¾	101¼	-⅛	9.18
CCCE 9 1/4 95	300	103½	104	+⅛	8.02
COUNCIL EUROPE 8 96	100	99	99½		8.25
CREDIT FONCIER 9 1/2 99	300	104¼	104⅝	+⅛	8.67
DENMARK 0 98	250	55⅝	56¼		8.72
DENMARK 8 1/4 94	150	101¼	101⅝	+⅛	7.77
ECSC 8 1/4 96	193	100¾	100⅞	+⅛	8.17
EEC 7 1/4 93	250	100	100⅜	+⅛	7.21
EIB 7 3/4 96	250	98⅞	99⅜		8.03
EIB 9 1/4 97	1000	103½	103⅞	+⅛	8.52
ELEC DE FRANCE 9 98	200	102½	102⅞	+⅛	8.47
EUROFIMA 9 1/4 96	100	102¾	103¼	+⅛	8.48
EXPORT DEV CORP 9 1/2 98	150	104¼	104⅝	+⅛	8.61
FINLAND 7 7/8 97	200	96⅞	97¼	+⅛	8.59
FINNISH EXPORT 9 3/8 95	200	103½	104	-⅛	8.34
FORD MOTOR CREDIT 9 1/2 93	300	102⅝	103⅛		8.13
GEN ELEC CAPITAL 9 3/8 96	300	103⅞	104¼	+⅛	8.36
GMAC 9 1/8 96	200	101	101½	+⅛	8.83
HALIFAX 9 1/2 93	200	103	103⅜	+⅛	7.72
IBM WORLD TRADE 7 5/8 93	150	99⅞	100⅛	+½	7.66
IND BK JAPAN FIN 7 7/8 97	200	96¼	96⅝		8.72
INTER AMER DEV 7 5/8 96	200	97	97½	+⅛	8.36
ITALY 8 1/2 94	1500	101⅞	102¼		7.80
JAPAN DEV BK 8 94	150	100⅝	101⅛		7.73
KANSAI ELEC PWR 10 96	350	105¼	105⅝	+⅛	8.56
LTCB 8 5/8 93	150	101¼	101⅝		7.72
NEW ZEALAND 8 93	100	100½	101		7.69
NIPPON CRED BK 9 3/4 93	150	103⅜	103⅞		7.99
NIPPON TEL & TEL 9 3/8 95	200	103⅞	104⅜		8.10
NORDIC INV BANK 9 93	200	102¾	103¼		7.40
ONTARIO HYDRO 11 5/8 94	200	107¾	108¼	-⅛	8.22
OSTER KONTROLLBANK 8 1/8 93	200	101¼	101⅝		7.24
PETRO-CANADA 7 1/4 96	200	95¾	96¼	+⅛	8.35
PRUDENTIAL RLTY SECS 0 99	365.216	51¼	51⅝	-⅛	9.41
QUEBEC HYDRO 9 3/4 98	150	104	104½	+⅛	8.96
QUEBEC PROV 9 98	200	100⅝	100⅞	+⅛	8.91
SAINSBURY 9 1/8 96	150	102¼	102⅝	+⅛	8.59
SAS 10 99	200	99⅝	100⅛	-⅛	10.05
SBAB 9 1/2 95	500	103¼	103⅝	-⅛	8.45
STATE BK STH AUST 9 1/4 93	100	101⅞	102½	-¼	7.84
SUMITOMO BK CAP MKT 9 3/8 93	150	102¾	103¼		7.99
SWEDEN 8 1/8 94	150	100¾	101¼		7.82
SWEDISH EXPORT 9 5/8 93	100	103¼	103½	-⅛	7.39
TOKYO METROPOLIS 8 1/4 96	200	99⅞	100⅜		8.26
WORLD BANK 8 3/8 99	1500	99⅝	99⅞	+⅛	8.61
WORLD BANK 8 3/4 97	1500	102¼	102⅝		8.35
XEROX CORPN 8 3/8 96	100	95¼	97¼	-⅛	9.57

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAPROVEN 11 1/8 95	200	102	102¼	+⅛	10.48
BULGARIAN TRADE BK 8 1/2 96	200	81¼	81⅝	+⅛	14.02
DEUTSCHE BK FIN 5 5/8 96	750	88⅝	88⅞	-⅛	8.59
DEUTSCHE FINANCE 7 1/2 95	1000	97⅛	97⅜	-⅛	8.46
EIB 5 3/4 98	400	85⅛	85½	-⅛	8.70
EIB 6 7/8 95	300	93¼	93¾		8.66
EUROFIMA 6 1/4 98	400	87⅜	87⅝		8.69
FERRO DEL STAT 5 3/8 93	500	95¼	95⅝		9.05
IND BK JAPAN FIN 5 5/8 96	200	87⅜	87⅝		8.89
IND DEV BK INDIA 6 3/8 94	200	86½	86⅞	-⅛	11.36
INTER AMER DEV 7 1/4 99	300	91	91	-⅛	8.88
LUFTHANSA INT FIN 5 7/8 98	500	84¼	84⅝	-⅛	9.04
NAT BK HUNGARY 8 96	200	90	90½		10.55
QUEBEC HYDRO 6 3/4 99	300	87⅜	87⅞	-⅛	9.02
SWEDEN 6 1/8 98	300	87⅜	87⅝	-⅛	8.70
VENEZUELA 8 1/4 93	100	95⅜	96	+⅛	10.39
WORLD BANK 0 15	2000	15⅜	15⅝		7.87
WORLD BANK 5 3/4 96	300	88½	88⅞	-⅛	8.87
WORLD BANK 7 1/8 95	500	95½	95⅞	-⅛	8.66

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	91½	93¼		6.80
AUSTRIA 4 5/8 98	100	88	88½		6.97
CHUJITSUYA 7 3/4 95	50	101¼	102¼		7.23
COUNCIL EUROPE 4 3/4 98	250	89¼	89½	-¼	6.83
EEC 5 1/2 00	100	90¼	91¼		6.95
EIB 5 3/4 93	100	97	97¾		7.23
ELEC DE FRANCE 7 1/4 06	100	103½	104	-½	6.85
FINLAND 5 3/8 95	150	96	97	-¼	6.47
GENERAL MOTORS 7 1/2 95	100	102	102¾	-½	6.85
JAPAN DEV BK 5 1/2 94	100	97¼	97½	+½	6.70
NEW ZEALAND 4 7/8 99	200	88	89		6.97
QUEBEC HYDRO 5 08	100	76½	78	+½	7.52
SKANDINAVISKA ENSK 6 1/2 95	100	98½	99½	-¼	6.99
WORLD BANK 5 03	150	86	87		6.74
WORLD BANK 7 01	600	102	102		6.70

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	95¼	95½	+⅛	6.89
CANADA 4 3/8 92	80000	97¾	98		7.02
CREDIT FONCIER 5 1/4 94	20000	94¾	95¼	+⅛	7.03
DENMARK 7 95	40000	100⅝	100⅞		6.86
EIB 4 5/8 94	40000	94½	94¾	+⅛	6.86
GENERAL ELECTRIC 5 3/4 93	35000	97¾	98¼		7.20
INTER AMER DEV 7 1/4 00	30000	102⅞	103¼	+⅛	6.80
ITALY 5 3/4 92	150000	99¼	99¾	+⅛	6.62
KANSAI ELEC PWR 4 5/8 94	60000	94¼	94½		6.98
NIPPON TEL & TEL 5 7/8 96	50000	95⅞	96¼		6.85
NORWAY 5 1/8 95	50000	94½	94¾		6.86
SWEDEN 5 5/8 95	20000	95½	96		6.90
WORLD BANK 6 3/4 00	50000	100⅛	100⅜	+⅛	6.72

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94⅛	95⅛		9.35
KREDIETCORP 7 93 LFr	1000	95¼	96¼		9.48
WORLD BANK 8 96 LFr	1000	96¼	98⅜		8.99
AMRO BANK 6 1/4 92 Fl	150	96⅝	97⅜		9.90
RABOBANK 5 3/4 93 Fl	150	94½	95¼		9.41
ALBERTA PROVINCE 10 92 C$	500	100⅜	100¾		9.33
BCE INC 9 5/8 93 C$	300	99¼	99⅝		10.14
BELL CANADA 10 5/8 99 C$	150	99	99½		10.72
BRITISH COLUMBIA 9 1/4 93 C$	150	99⅛	99⅝	+⅛	9.80
EIB 10 1/8 98 C$	130	98¼	99¼	-⅛	10.48
FORD CREDIT CANADA 10 94 C$	100	98¼	98¾		10.76
GENERAL ELECT CAP 10 1/4 93 C$	175	100½	101		9.65
MONTREAL TRUSTCO 8 1/2 92 C$	100	98¼	99	-⅛	11.07
ONTARIO HYDRO 10 7/8 99 C$	500	100½	100⅞		10.75
QUEBEC PROV 10 1/2 98 C$	200	98¼	98⅝		10.86
ROYAL TRUSTCO 10 1/4 93 C$	100	99	99½		10.64
SWEDEN 9 3/4 93 C$	250	100¼	100⅝		9.42
BELGIUM 9 1/8 96 Ecu	1250	99¼	99⅝		9.31
CNT 7 3/8 93 Ecu	250	95⅝	96⅛	+⅛	9.99
CREDIT LYONNAIS 9 96 Ecu	125	96¼	98⅛	-⅛	9.87
DENMARK 7 5/8 96 Ecu	250	91¼	92⅛	+⅛	9.87
EEC 7 5/8 94 Ecu	200	96	96½		9.41
EIB 10 97 Ecu	1125	103⅛	103⅝		9.18
ITALY 10 3/4 00 Ecu	1000	107⅛	107½		9.45
UNITED KINGDOM 9 1/8 01 Ecu	2750	99	99⅜		9.27
BMW FINANCE 14 1/2 92 A$	100	101¼	102⅝	-⅛	11.61
COUNCIL EUROPE 13 93 A$	50	101	102	-⅛	12.14
EKSPORTFINANS 12 3/8 95 A$	75	102⅞	103¼	-⅛	11.46
FORD CRED AUST 13 93 A$	50	100	101	-⅛	12.86
ICI 15 1/2 92 A$	100	102¾	103⅝	-⅛	12.59
MCDONALDS CANADA 15 95 A$	100	108⅝	109¼	-⅛	12.80
NAT AUSTRALIA BANK 14 3/4 94 A$	150	105⅞	106¼		11.04
STATE BK NSW 14 1/4 99 A$	100	109	109½	-⅛	12.41
VOLKSWAGEN INTL 15 94 A$	100	106⅞	107⅜		11.83
ABBEY NATL TREAS 13 3/8 95 £	100	106¼	106⅝		11.19
BARCLAYS JERSEY 9 1/2 93 £	250	97⅝	98		11.05
BRITISH GAS 12 3/4 95 £	300	105	105⅜		10.91
DEUTSCHE BK FIN 11 94 £	225	100⅝	101		10.63
EIB 10 97 £	986.5	97¼	97½		10.69
FORD CREDIT FUNDING 9 5/8 93 £	50	96¼	97⅛	+⅛	11.76
INTER AMER DEV 11 3/8 95 £	75	102	102½		10.66
ITALY 10 1/2 14 £	400	94⅝	94⅞	+⅛	11.15
LAND SECS 9 1/2 07 £	200	82⅞	82⅞	+⅛	12.18
LEEDS PERMANENT 9 1/4 93 £	50	96¾	97¼		11.27
NORWAY 10 1/2 94 £	200	99⅝	100	+⅛	10.62
ROLLS-ROYCE 9 5/8 93 £	150	96⅞	97⅜		11.51
SAINSBURY 10 7/8 93 £	100	99½	100		11.16
SKANDINAVISKA ENSK 13 1/8 95 £	100	105⅛	105⅜	+½	11.26
WORLD BANK 11 1/4 95 £	100	101¾	102¼	+⅛	10.64
ABBEY NATIONAL 0 96 NZ$	100	58¾	59⅜		10.82
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	104¼	105¼		10.75
AIDC 7 7/8 93 FFr	600	96	96½		9.99
CREDIT LYONNAIS 10 95 FFr	3200	100⅞	101⅛	+⅛	9.78
EURATOM 7 5/8 98 FFr	500	91¾	92¾		9.29

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	100.01	100.11	6.9375
ALLIANCE & LEICS 0.08 94 £	300	99.47	99.57	11.2859
BANCO ROMA 0.03 01	200	92.00	93.00	6.4675
BANCO SANTO SPIRITO 93	200	99.54	99.67	6.5000
BELGIUM 1/16 97 DM	500	99.99	100.09	9.1250
BFCE -0.02 96	350	99.92	100.02	6.1000
BNP 05	300	95.88	96.88	6.3125
BRITANNIA 1/10 96 £	150	99.05	99.25	11.2250
CCCE 06 ECU	200	99.90	100.00	9.9000
CITIZENS FED 0.15 96	100	99.35	99.80	7.8250
COMMERZBK O/S FIN 93	280	100.03	100.13	6.5625
DENMARK -1/8 96	1000	99.62	99.72	6.9688
DRESDNER FINANCE 1/32 98 DM	1000	99.96	100.06	9.2813
ELEC DE FRANCE 1/8 99	400	100.45	100.75	7.8000
FERRO DEL STAT 94	200	100.45	100.70	6.8750
HALIFAX 1/10 94 £	200	99.80	99.90	11.7250
ITALY 00	500	100.79	100.89	6.3750
MITSUI FIN ASIA 1/8 96	100	99.61	99.71	7.0000
MORGAN (JP) 1/4 97	250	98.50	99.13	6.2500
NAT WEST FIN 3/16 05	400	91.75	92.75	6.5000
NEW ZEALAND 93	500	99.89	99.99	6.5000
QUEBEC PROV 01	300	96.63	96.85	6.1250
RENFE 98	500	99.94	100.04	6.0625
SOCIETE GENERALE 96	300	99.26	99.36	6.3125
STATE BK VICTORIA 0.05 99	125	98.45	98.70	6.4625
UNITED KINGDOM -1/8 96	4000	100.00	100.03	5.9375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.65	116⅜	117⅜	+0.79
ASDA-MFI 4 3/4 02 £	100	1.64	117⅝	118⅝	
BURTON GROUP 4 3/4 01 £	110	3.15	116¼	118⅛	
EASTMAN KODAK 6 3/8 01	300	50.67	96	97	+19.78
GOLD KALGOORLIE 7 1/2 00	65	1.0554	71¼	72¼	+42.67
GOODYEAR TIRE 6 7/8 09	150	80¼	76	77	+62.64
GRACE (WR) 6 1/4 02	150	42¼	95⅞	96⅞	+11.05
HANSON 9 1/2 06 £	500	2.5875	99⅛	99⅞	+21.85
HAWLEY 6 02 PREF	400	19.1	75	79½	
HILLSDOWN 4 1/2 02 £	150	4.16	111⅛	112⅛	+98.85
INTL PAPER 5 3/4 02	200	68¼	105	106	+4.65
LAND SECS 6 3/4 02 £	84	6.72	85	86	+11.78
MITSUBISHI BK 1 3/4 02	300	2727.1	105	107	+1.40
OGDEN 6 02	85	39.077	68½	69½	+43.25
PACIFIC DUNLOP 6 3/4 97	75	3.749	105¼	106¼	+1.05
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	83	84	
THORN EMI 5 3/4 04 £	103	7.45	116¼	117¼	+12.35

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Treasuries rally strongly on weak economic data

By Patrick Harverson in New York and Sara Webb in London

US Treasury prices firmed yesterday morning in response to weaker-than-expected Chicago purchasers' data and factory orders data.

At midday, the benchmark 30-year Government bond was up ⅛ at 97⅞, yielding 8.352 per cent. The two-year note was equally firm, up 1/16 at 100⅛, yielding 6.77 per cent.

The market moved higher after the Commerce Department reported a 1.4 per cent decline in June factory orders. Although the decline had been expected in the wake of last week's report of lower June durable goods orders, the size of the fall surprised the market, as did the downward revision of May's orders from a 2.9 per cent increase to a 2.3 per cent increase.

Likewise, a small rise in the Chicago purchasing managers index for July was unexpected and helped keep prices firm at the long end. The market is now awaiting tomorrow's employment data amid hopes that a large rise in the jobless total will persuade the Federal Reserve to cut interest rates.

GOVERNMENT BONDS

■ GERMAN government bonds rallied, helped by firmer US Treasuries and a better-than-expected outcome in the auction of Unity Fund bonds.

In a tender for the 8¾ per cent 10-year Unity Fund bond due August 2001, the government accepted bids for DM2.8bn at an average price of 100.35 yielding 8.7 per cent. By late afternoon, the bonds yielded 8.645 per cent as the market rallied.

The Bundesbank retained DM2.2bn of the bonds for market regulation. The size of the issue was DM7bn, including the DM2bn of bonds issued through the German bond consortium on Tuesday.

The Liffe bund futures contract opened at 83.66 and rose to a high of 83.95 before falling to 83.92. Dealers reported some further trading out of French, Danish and Ecu bonds into the German bund market.

■ THE rally in the US and German markets helped to lift UK government bond prices after a weak start to trading.

Gilt prices picked up in the afternoon to close slightly up on the day. The benchmark 11¾ per cent gilt due 2003/07 opened at 110⅜ and reached 110¹¹⁄₃₂ by late afternoon to yield 10.16 per cent.

■ HEAVY buying of futures helped to push up Japanese government bond prices yesterday. Dealers said several large programme trading orders were placed as JGB futures reached a certain level.

The yield on the benchmark No 129 JGB opened at 6.585 per cent, moving to 6.615 per cent on worries that German interest rates could be raised soon in order to curb inflation in Germany. The yield closed at 6.57 per cent in Tokyo.

An auction of about Y300 to Y400bn of 20-year JGBs will take place today with an expected coupon of 6.6 to 6.7 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	108.0324	-0.001	11.00	10.94	11.06
BELGIUM		10.000	08/00	102.7000	-0.100	9.54	9.47	9.37
CANADA *		9.750	12/01	98.8500	-0.125	9.93	9.93	10.05
DENMARK		9.000	11/00	97.1250	-0.050	9.48	9.38	9.26
FRANCE	BTAN	9.000	02/96	98.4157	-0.095	9.41	9.30	9.22
	OAT	9.500	01/01	101.4800	+0.070	9.24	9.18	9.10
GERMANY		8.375	05/01	98.1400	+0.230	8.66	8.67	8.51
ITALY		12.500	03/01	96.6800	+0.220	13.50	13.39	13.41
JAPAN	No 119	4.800	06/99	89.0641	+0.002	6.96	7.07	7.18
	No 129	6.400	03/00	99.0064	+0.027	6.58	6.66	6.75
NETHERLANDS		8.500	03/01	97.4900	+0.080	8.89	8.89	8.81
SPAIN		11.900	07/96	98.9500	-0.250	12.17	12.09	12.02
UK GILTS		10.000	11/96	99-02	+01/32	10.23	10.27	10.46
		10.000	02/01	99-03	+02/32	10.16	10.23	10.49
		9.000	10/08	92-12	+01/32	9.93	9.99	10.17
US TREASURY *		8.000	05/01	98-26	+05/32	8.18	8.26	8.27
		8.125	05/21	97-14	+08/32	8.36	8.45	8.45

London closing. *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

Taiwan and Hong Kong in market accord

TAIWAN will link its interbank foreign currency call loan market with Hong Kong as a step towards becoming a leading Asian banking centre, Reuter reports from Taipei.

The Taipei Foreign Exchange Market Development Foundation has agreed to establish the link through Hong Kong broker Harlow Butler, the foundation said.

The link was expected to start operating towards the end of this month, but details had not yet been decided. About 50 local and foreign banks take part in the market, which mainly trades US dollars, yen and D-Marks.

The market established its first overseas link with Singapore in February through Singapore broker Astley and Pearce, which began arranging trades between banks in the two centres. The market has a total monthly turnover of around $13bn.

"We hope the link with Hong Kong will provide more trading opportunities for banks here, giving them a new source of funds and stimulating activity in the market," the foundation said.

Dealers said the Hong Kong link would be a significant step in developing the market, but the effect on trading volume would be limited.

They said other reasons for the market's sluggishness, including relatively unsophisticated manpower and communications and the ingrained conservatism of many players, would remain.

Pace of new issue activity slows

By Simon London in London

THE pace of new issue activity finally slowed in the international bond market yesterday as the market struggled to absorb the weight of paper launched over the past week.

However, banks continue to engage in opportunistic funding, providing a steady supply of small retail-targetted deals.

INTERNATIONAL BONDS

Yesterday, NatWest Australia Bank, a subsidiary of the UK bank, launched a A$75m four-year deal, lead manged by NatWest capital markets. The issue follows three-year deals by BP America and Barclays Bank on Monday and Tuesday respectively.

By launching at the longer maturity the borrower could offer a higher coupon, 11⅝ per cent against 11½ per cent on the Barclays deal and 11⅛ per cent for BP. The bonds were priced to yield 20 basis points more than the Barclays issue.

The lead manager headed a group of 30 banks aiming to place the bonds with retail investors. Participants in the deal said the pricing was fair, but market conditions poor for another issue. From an issue price of 101⅝, the deal traded at less 1⅞ per cent bid, a discount equivalent to full fees.

Elsewhere, Dresdner International Finance, a funding subsidiary of the German bank which is registered in Dublin for tax purposes, launched a DM400m four-year deal. Dresdner Bank, which was lead managing the deal, said it expected to sell most of the bonds to retail customers through its 1,500 branches. From an issue price of 101.55 the deal traded down to 99.95 bid, inside full fees of 1⅞ per cent.

The supply of equity warrant bond issues by Japanese companies continued yesterday, with $100m four-year deals for Senko Co and Topy Industries, lead managed by Daiwa Europe and Nikko Securities respectively.

The issues were fairly well received. Both traded above the issue price of par. Syndicate managers said more stable conditions in the Tokyo equity market and higher coupons were ensuring a smooth placement – although market conditions can change quickly. Both of yesterday's issues carry a 4⅝ per cent coupon, whereas deals of this maturity offered only 4¼ per cent.

● THE UK gilts market was the best performing government bond market during July, according to Kemper Investment Management's database of 21 markets.

In sterling terms, a portfolio of UK government bonds provided a total return of 2.52 per cent over the month, well ahead of the next-best market, Norway, which gave a return of 0.63 per cent.

The pattern was similar in dollar terms, although the strength of the US currency boosted returns in all markets.

The gilts market returned 6.31 per cent over the month for a dollar-based investor.

The Japanese market showed positive return of 2 per cent in dollars, but a negative return of 1.78 per cent in sterling.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Senko Co.(a)♦	100	4⅝	100	1995	2¼/1½	Daiwa Europe
Topy Industries(a)♦	100	4⅝	100	1995	2¼/1½	Nikko Secs.
AUSTRALIAN DOLLARS						
NatWest Australia Bk(a)†	75	11⅝	101⅝	1995	1⅞/1⅛	Natwest Cap.Mkts.
D-MARKS						
Dresdner Int.Fin.(a)†	400	9	101.55	1995	1⅞/1⅛	Dresdner Bank
Daito Seiki Co (a)♦	40	5⅞	100	1995	2¼/1½	Deutsche Bank
SWISS FRANCS						
Asakawa Gumi(b)★★♦	50	4½	100	1995	-	Nomura Bk (Switz)
Daiei Taigen(c)★★§	45	4	100	1995	-	Coutts & Co.
Daito Seiko Co.(d)★★§	30	5½	100	1996	-	Banca d'Gottardo
Royal Electric Co.(e)★★§	20	4	100	1995	-	Daiwa Secs.(Switz)

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Callable 22/2/94 at 101½% declining ½% semi-annually. c) Put option 30/9/93 at 108% to yield 7.558%. Coupon payable semi-annually. d) Callable 30/9/94 at 102% declining ½% semi-annually. Coupon payable semi-annually. e) Put option 31/3/94 at 109⅞% to yield 7.516%. Coupon payable semi-annually.

Banco di Napoli to privatise some capital

By Haig Simonian in Milan

BANCO di Napoli, the big Italian bank, looks set to become the first public-sector financial institution to partially privatise its capital.

The bank is to raise between L400bn and L450bn through the issue of 100m shares, priced at between L4,000 and L4,500 each.

A quarter of the new issue will be reserved for international investors through a public offering being led by Credit Suisse First Boston. The balance will be offered to holders of the bank's existing savings stock, on one-for-five basis.

Like many other public-sector banks, Banco di Napoli has until this year only been allowed to issue savings stock. Under new legislation, a number of Italian public sector banks are now able to issue up to 49 per cent of their ordinary shares via the stock exchange.

The deal, which has to be approved at an extraordinary general meeting in October, will also permit holders of the bank's existing savings shares to switch into the newly-created ordinary stock through a linked warrant issue.

Banco di Napoli will offer 37.5m free warrants to eligible holders of savings shares on the basis of one warrant for every 10 savings shares held. Each warrant will give the holder the right to convert one savings share into one new ordinary share. Further terms will be announced later this year.

The planned share issue follows the decision of the bank to change its legal status from charitable foundation to joint stock company.

Once the latest operation is completed, around 10 per cent of the bank's capital will have a stock market listing.

● CREDITO Romagnolo, the Italian regional bank indirectly controlled by Mr Carlo De Benedetti, is to merge with Banca del Friuli, a smaller regional institution under its control.

Despite the merger, which is designed to take advantage of tax benefits stemming from last year's banking reform, Banca del Friuli will retain its separate identity. The bank has around 100 branches in north-east Italy, while Credito Romagnolo has about 210 outlets, concentrated in the Emilia Romagna region.

Credito Romagnolo also plans to raise from 2 to 10 per cent the current limit on ownership of its shares and to switch its share quotation from the unregulated third market of the Milan Stock Exchange to the official market.

UK merchant bank to value Crediop

By Haig Simonian

KLEINWORT Benson, the UK merchant bank, has been appointed by the Italian Treasury to value Crediop, the government-controlled financial institution likely to be bought by Istituto Bancario San Paolo di Torino.

The decision marks the second time in little more than a week that a UK merchant bank has been chosen by the Italian authorities for prestigious valuation work as part of the merger wave now sweeping state-owned financial institutions.

Last week, S G Warburg was commissioned by the Treasury to value Istituto Mobiliare Italiano (IMI), the Rome-based financial services and investment banking group which is 50 per cent Treasury-owned.

Mexico to sell Bancomer, BCH

MEXICO'S Ministry of Finance has announced the privatisation of Bancomer, the country's second largest banking institution, and Banco BCH, writes Rebecca Doulton.

Bancomer, with 36,700 employees and 756 branches, has total assets worth $23bn and a net worth of $1.6bn. Bids must be submitted by August 9. Banco BCH has total assets of $1.6bn and a net worth of $116m, placing it as Mexico's ninth largest bank.

Old Mutual to launch trust

By Philip Gawith in Johannesburg

OLD MUTUAL, South Africa's largest life insurance company, plans to launch a Channel Islands-based investment trust, specialising in South African equities and aimed at international investors. It is sponsored and underwritten by Smith New Court Securities.

The announcement flows directly from the lifting of sanctions against South Africa and represents another step in the country's gradual return into the international financial fold.

The intention is for the trust, which will be dollar denominated and open-ended, to be listed in London.

"It represents far more than a mere trust – it is the opening by Old Mutual of an international shop window for SA equities in Europe," said Mr Gerhard van Niekerk, chief operating officer of Old Mutual.

Flat profits at Arab Banking

ARAB Banking Corp, the Bahrain-based international bank which was hurt by the Gulf war, made pre-tax profits of $57m in the first half of this year, roughly equivalent to the $58m earned in the same period of the previous year, writes David Lascelles.

Operating profit for the period was $100m, up slightly from $97m. Total group assets at the end of June were $19.6bn, down from $22.5bn a year earlier.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Wed Jul 31 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Jul 30 Index No.	Mon Jul 29 Index No.	Fri Jul 26 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (184)	828.79	-0.5	10.42	5.83	11.84	22.56	832.90	834.85	835.32	869.51
2 Building Materials (24)	1058.54	-0.3	9.06	5.89	13.96	30.76	1061.61	1068.93	1078.04	1119.62
3 Contracting, Construction (31)	1143.53	+0.5	9.61	6.83	13.74	32.68	1137.83	1136.09	1162.36	1451.38
4 Electricals (11)	2448.00	-1.1	10.47	5.44	12.15	61.85	2476.45	2483.26	2484.59	2431.71
5 Electronics (25)	1689.87	+0.6	8.94	5.32	14.88	46.89	1680.01	1675.76	1678.45	1775.30
6 Engineering-Aerospace (8)	420.99	-0.2	16.26	5.96	7.39	12.11	421.64	420.89	422.96	464.01
7 Engineering-General (45)	453.41	-0.6	12.04	5.64	10.17	11.82	455.97	457.81	454.10	486.95
8 Metals and Metal Forming (8)	430.19	-1.7	16.40	8.21	7.49	16.93	437.58	439.37	437.20	480.63
9 Motors (12)	320.12	-0.7	12.38	7.49	9.53	10.28	322.27	322.79	322.98	348.11
10 Other Industrial Materials (20)	1604.52	-1.1	8.69	5.01	13.53	36.42	1621.58	1625.50	1611.62	1547.52
21 CONSUMER GROUP (187)	1522.73	....	7.62	3.58	16.18	25.63	1522.74	1516.72	1513.79	1311.37
22 Brewers and Distillers (22)	1842.16	+0.1	8.35	3.60	14.60	34.70	1840.50	1828.71	1829.94	1647.80
25 Food Manufacturing (19)	1201.96	....	9.55	4.12	12.93	24.43	1202.39	1204.64	1202.95	1099.68
26 Food Retailing (17)	2730.71	+0.5	7.87	3.05	16.61	39.61	2716.25	2701.10	2698.04	2588.72
27 Health and Household (22)	3633.56	-0.3	5.34	2.37	21.36	30.93	3645.18	3616.61	3609.42	2552.28
29 Hotels and Leisure (23)	1296.79	-0.8	9.25	5.32	13.05	32.35	1307.14	1303.15	1289.37	1451.56
30 Media (26)	1431.17	+0.2	8.20	4.96	15.83	38.26	1427.90	1427.09	1436.41	0.00
31 Packaging, Paper & Printing (17)	747.64	....	7.53	4.41	16.04	15.15	748.01	749.41	749.97	604.17
34 Stores (32)	988.59	+0.3	7.75	3.76	16.85	17.06	985.89	984.42	978.15	828.05
35 Textiles (9)	587.14	+0.6	8.55	5.28	14.52	13.79	583.67	582.95	576.18	487.52
40 OTHER GROUPS (109)	1260.07	-0.4	9.79	5.11	12.74	29.31	1265.64	1271.06	1269.59	1147.56
41 Business Services (12)	1337.92	+0.5	8.07	4.87	15.34	29.77	1331.57	1333.49	1324.69	0.00
42 Chemicals (21)	1433.86	+0.2	7.15	5.03	17.25	33.03	1430.38	1429.68	1416.23	1229.21
43 Conglomerates (10)	1452.29	-0.1	10.28	7.26	11.75	35.14	1454.14	1473.70	1466.45	1596.96
44 Transport (13)	2245.22	....	8.42	4.75	14.71	50.50	2245.65	2248.03	2226.48	2322.78
45 Electricity (16)	1217.92	-1.1	14.19	5.34	9.00	18.41	1231.58	1239.20	1233.62	0.00
46 Telephone Networks (4)	1520.01	-0.7	9.76	4.01	13.41	28.31	1530.57	1533.05	1543.28	1187.44
47 Water (10)	2337.90	-2.1	17.47	6.58	6.33	118.37	2387.82	2433.47	2466.73	2002.48
48 Miscellaneous (23)	2002.20	-0.1	6.07	4.82	21.36	47.89	2004.98	2005.64	2002.88	1713.72
49 INDUSTRIAL GROUP (480)	1269.55	-0.2	8.86	4.51	13.98	26.53	1272.57	1272.48	1270.95	1161.11
51 Oil & Gas (20)	2483.22	-0.4	10.92	5.51	12.04	67.26	2494.06	2491.03	2485.61	2409.42
59 500 SHARE INDEX (500)	1372.36	-0.3	9.12	4.64	13.70	29.82	1375.97	1375.67	1373.85	1264.90
61 FINANCIAL GROUP (92)	808.71	-0.1	-	5.85	-	21.65	809.36	810.91	803.86	793.12
62 Banks (9)	935.57	....	6.45	5.94	23.23	24.83	936.12	943.66	931.41	840.93
65 Insurance (Life) (7)	1539.81	-0.1	-	5.37	-	41.64	1541.73	1535.22	1528.35	1469.76
66 Insurance (Composite) (6)	653.95	+0.1	-	6.70	-	20.23	653.36	650.62	650.94	666.42
67 Insurance (Brokers) (9)	1149.47	-0.8	6.84	5.88	18.97	30.61	1158.52	1145.34	1146.65	963.55
68 Merchant Banks (7)	436.88	+0.9	-	4.80	-	11.00	432.95	432.92	425.01	436.91
69 Property (35)	923.96	-0.3	6.12	5.01	23.09	19.84	926.85	928.52	917.78	1095.81
70 Other Financial (19)	248.99	-0.1	11.22	7.07	11.17	7.99	249.21	249.37	247.71	288.29
71 Investment Trusts (69)	1224.22	....	-	3.50	-	20.95	1224.05	1222.38	1219.77	1209.80
99 ALL-SHARE INDEX (661)	1235.89	-0.2	-	4.77	-	27.55	1238.75	1238.79	1235.92	1151.66

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 30	Jul 29	Jul 26	Jul 25	Jul 24	Year ago
FT-SE 100 SHARE INDEX‡	2588.8	-6.8	2603.6	2588.3	2595.6	2595.0	2589.3	2579.6	2580.5	2339.0

FIXED INTEREST

PRICE INDICES	Wed Jul 31	Day's change %	Tue Jul 30	Accrued Interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (28)	121.01	+0.03	120.97	1.75	7.13
2 5-15 years (27)	131.23	+0.09	131.11	1.75	8.39
3 Over 15 years (9)	139.76	+0.12	139.59	3.11	6.44
4 Irredeemables (6)	153.20	+0.44	152.52	2.45	7.34
5 All stocks (70)	130.36	+0.08	130.25	1.90	7.88
Index-Linked					
6 Up to 5 years (1)	160.27	-0.05	160.34	0.72	2.72
7 Over 5 years (10)	145.02	-0.14	145.21	0.57	2.76
8 All stocks (11)	146.02	-0.13	146.22	0.58	2.76
9 Debs & Loans (56)	109.89	....	109.88	2.47	5.89

AVERAGE GROSS REDEMPTION YIELDS		Wed Jul 31	Tue Jul 30	Year ago (approx.)
British Government				
1 Low	5 years	9.03	9.04	10.65
2 Coupons	15 years	9.84	9.87	10.65
3 (0%-7¾%)	20 years	9.84	9.87	10.65
4 Medium	5 years	10.23	10.23	11.86
5 Coupons	15 years	10.04	10.06	11.10
6 (8%-10¾%)	20 years	9.98	10.00	10.90
7 High	5 years	10.40	10.40	11.97
8 Coupons	15 years	10.16	10.18	11.35
9 (11%-)	20 years	10.06	10.09	11.16
10 Irredeemables	†	10.03	10.08	10.73
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	4.42	4.40	5.14
12 Inflation rate 5%	Over 5 yrs.	4.39	4.37	4.28
13 Inflation rate 10%	Up to 5 yrs.	3.48	3.45	4.03
14 Inflation rate 10%	Over 5 yrs.	4.19	4.18	4.09
15 Debs &	5 years	11.90	11.90	13.87
16 Loans	15 years	11.67	11.66	12.79
17	25 years	11.45	11.44	12.50

‡Opening index 2597.7; 9 am 2600.6; 10 am 2596.4; 11 am 2588.9; Noon 2593.8; 1 pm 2594.7; 2 pm 2592.7; 2.30 pm 2592.7; 3 pm 2590.9; 3.30 pm 2589.3; (a) 8.48am (b) 3.29pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991. CONSTITUENT CHANGES: Deletions: Babcock Prebon (70), Brent Walker (29), Clayform Properties (69), First Tokyo Index (71), Speyhawk (69); ADDITIONS: Blick (4), Lowndes Lambert (57).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	44	15	24
Corporations, Dominion and Foreign Bonds	0	5	15
Industrials	290	259	967
Financial and Properties	116	94	530
Oils	18	20	52
Plantations	0	0	10
Mines	46	24	89
Others	71	37	52
Totals	585	454	1,739

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
$100	F.P.	-	107	101	Abtrust Preferred Inc.Tst.	102		M12.32	-	10.1	-
$102	F.P.	-	108¼	104	Do. Zero Div. Prf.	108¼		-	-	-	-
-	F.P.	-	43½	10	Aegis Warrants 5p	43½	+5½	-	-	-	-
♦	F.P.	-	185	185	Brockhampton 10p	185		-	-	-	-
♦	F.P.	-	33	33	Do. A Warrants 10p	33		-	-	-	-
♦	F.P.	-	155	140	Do. Non/Vtg. A 10p	155		-	-	-	-
†	F.P.	-	106	105	Capital Ventures 1p	105		-	-	-	-
175	F.P.	-	170	163	Claremont Garments 16p	167		L6.95	1.9	5.5	10.4
100	F.P.	-	100	98	County Smaller Cos.	98		M3.38	-	4.6	-
-	F.P.	-	23	20	Do. Warrants	20		-	-	-	-
225	F.P.	-	248	225	Eurocamp 5p	242	-6	R8.5	2.5	4.7	11.6
-	F.P.	-	263	238	Eurotunnel '91 Wrnts.	238	-25	-	-	-	-
-	F.P.	-	518	503	Fleming Emrg. Mkts.	510	+1	-	-	-	-
-	F.P.	-	½	¼	Gaelic Res. Wrnts.	½	+¼	-	-	-	-
Ir230	F.P.	-	245	205	Greencore Ir£1	225		u06%	5.9	1.8	9.5
146	F.P.	-	160	151	Irish Life Ir10p	159	+2	H0102%	-	5.8	-
§290	F.P.	-	314	297	Lowndes Lambert 5p	307	+2	L11.5	1.9	5.0	14.3
385	F.P.	-	335	272	Manchester United 10p	279	-5	-	-	-	-
125	F.P.	-	127	89	Mirror Grp. Newspapers	104	-½	R6.55	1.7	8.5	9.3
100	F.P.	-	113	100	Moorgate Smaller Co's.	105		M4.13	-	5.2	-
35	F.P.	-	39	36	Do. Warrants	36		-	-	-	-
100	F.P.	-	102	101	Murray Split Income 10p	102		M10.58	-	13.8	-
100	F.P.	-	100	98	Murray Split Tst. Cap. 10p	98		-	-	-	-
-	F.P.	-	2550	2520	Do. Units	2550		-	-	-	-
240	100	-	124½	109	Scot. Hydro-Elect. 50p	116½	+2½	R9.13	1.9	4.7	13.7
240	100	-	119½	101	Scottish Power 50p	108½	+2	L9.2	q2.1	4.9	11.1
††	F.P.	-	47	47	Scottish Value Trust	47		a1.8	0.8	5.1	34.6

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
♦	F.P.	-	107p	106p	Brockhampton N/V 9½pc Rd Prf 1996 £1	106p	
100	F.P.	-	110¼	98¼	Burmah Cap (Jersey) 9½pc Cnv Bds 2006	105½	+½
100	F.P.	-	90	80½	Claylithe 9½pc Cnv. Ln. 2000-01	85	+4½
100	F.P.	-	102	96½	EE Finance 8¼pc Gtd. Exch. Bds. 2006	100¾	-¼
Ir110p	F.P.	-	128p	108p	Fyffes 8.25p (Net) Cnv Cm Prf Ir£1	128p	
102½p	F.P.	-	105p	103p	Murray Split Cap Tst Zero Div Prf 10p	104½p	
100p	F.P.	-	104½p	97½p	Queens Moat Houses 7½pc Cv Rd Pf	99p	-1
100	F.P.	-	103¾	96½	RMC Capital 8¼pc Cnv. Bds. 2006	101½	
100	F.P.	-	103½	96¼	Tarmac 9½pc Cnv. Cap. Bds. 2006	98½	-½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
145	Nil	-	53pm	18pm	Airsprung Furniture 10p	47pm	+2
140	Nil	-	15pm	14pm	British Fittings 20p	15pm	
Ir25p	Nil	-	¼pm	¼pm	‡Bula Resources Ir25p	¼pm	
30	Nil	-	6½pm	3½pm	Burton Group 10p	4½pm	
88	Nil	-	4pm	2pm	Countryside Props.	2pm	
60	Nil	-	7pm	2pm	Dean & Bowes 5p	2pm	
30	Nil	-	¼pm	¼pm	Eng. & O'seas Props. 10p	¼pm	
31	Nil	-	2½pm	¼pm	Ex-Lands 10p	¼pm	-¼
25	Nil	-	7pm	2pm	Hemingway Props.	2½pm	
75	Nil	-	1¼pm	1¼pm	Hewetson 10p	1¼pm	
87	Nil	-	18pm	10pm	JLI Group 20p	17½pm	
25	Nil	-	¼pm	¼pm	Mountleigh Group	¼pm	
47	Nil	-	2pm	½pm	Scottish Value Tst.	½pm	
190	Nil	-	34pm	15pm	Trafalgar House A 20p	15pm	-3
25	Nil	-	4½pm	2½pm	Wheway	2½pm	-1½

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings July 22
● Last Dealings Aug. 2
● Last Declarations Oct. 24
● For settlement Nov. 4

For rate indications see end of London Share Service

Calls in **Barratt Devs., Control Sec., Dale Elect., Medeva ordinary shares and warrants, Meekatharra, Premier Cons., Richmond Oil, Trident Pet. and Westminster Scaffolding.** Put in TV-am.

LONDON TRADED OPTIONS

Option		CALLS Oct	Jan	Apr	PUTS Oct	Jan	Apr
Allied Lyons (*585)	500	98½	107	120	1½	5	8
	550	57	68½	84½	8½	15	19
[illegible]							
M & S (*285)	280	17½	24½	32½	7½	11½	12½
	300	8	14½	21½	18½	21½	22½
Sainsbury (*376)	360	-	-	48	-	-	12½
	386	14½	23	-	17½	21½	-
Shell Trans. (*538)	500	47½	59½	64½	6	9½	13½
	550	15½	28	34½	27½	31½	37½
Storehouse (*113)	110	9½	12½	15	5	7	8½
	120	4½	7	9½	10½	12½	13½
Trafalgar (*212)	211	16½	21	-	12	19	-
	220	-	-	22	-	-	27
Utd Biscuits	390	19½	29	37	14½	18½	22

Option		CALLS Oct	Jan	Apr	PUTS Oct	Jan	Apr
Unilever (*755)	750	38½	55½	68½	20	26½	32½
	800	15½	30½	43½	46½	54½	60½
[illegible]							
Amstrad (*50)	50	4	6½	8	3½	5½	6½
	60	1	3	4½	10	12	13
Barclays (*478)	460	24½	40	49½	13	18	23½
	500	6½	20	30	36½	39½	43½
Blue Circle (*266)	260	15	23½	30	10	14½	17½
	280	6½	14	20	22	25	26
British Gas (*272)	260	18	25½	29½	3½	6	10
	280	5½	14	19	12	15½	18½
Dixons (*245)	220	29½	36	41½	2½	6½	8½
	240	14½	24	29½	7½	12½	15½

Option		CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
Eurotunnel (*450)	420	42½	59	73	7½	15	20½
	460	20	36½	50½	24½	31½	36½
Glaxo	1250	70	104	136	32	46	55
[illegible]							

FT-SE INDEX PUTS								
[illegible]								
Jul	½	½	½	½	½	9	59	109
Aug	2	3	5	9½	19	37½	69½	112
Sep	4½	6½	11½	19½	32½	53	81	118
Oct	8½	13	20½	30½	44½	64	91½	125
Dec †	-	28	-	48½	-	82½	-	137
Jun †	-	50	-	75	-	112	-	167

July 31 Total Contracts 21,140
Calls 14,870 Puts 6,270
FT-SE Index Calls 5,302 Puts 1,541
Euro FT-SE Calls 345 Puts 514
*Underlying security price. † Long dated expiry months
Premiums shown are based on middle prices.

Lower costs help SB to £230m

By Robert Peston

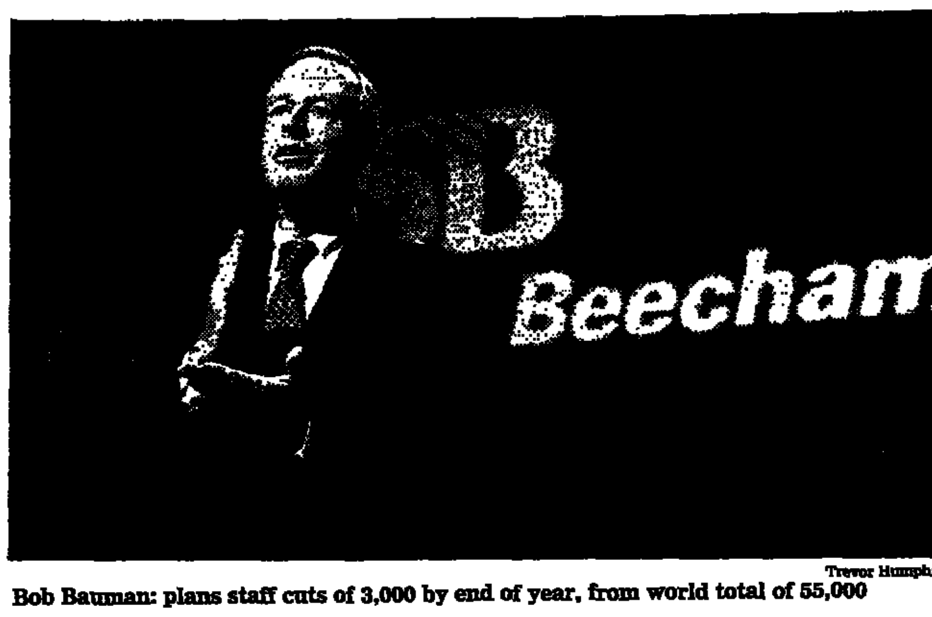
SMITHKLINE Beecham pushed up pre-tax profits by 17 per cent from £197m to £230m in the three months to June 30, in line with brokers' forecasts, in spite of slower sales growth than the company had expected.

Mr Bob Bauman, chief executive of the pharmaceutical and healthcare concern, admitted that the 3 per cent increase in turnover from continuing operations to £1.16bn was below target. However, if the value of US sales had been translated into sterling at the same rate as last year, the growth rate would have been 6 per cent. Mr Bauman said sales growth had accelerated in the past few weeks.

The company was formed two years ago by the merger of SmithKline Beckman of the US and Beecham of the UK. Mr Bauman said it was continuing to find cost savings from the combination. "By the end of this year, we should have cut almost 3,000 from our worldwide staff numbers of 55,000."

This reduction in manufacturing and administration overheads was a big contributor to the profit increase. The profit margin increased from 17.8 per cent at the end of June last year to 20.4 per cent, if the effects of exchange rate movements are excluded.

SB's biggest selling drug is Tagamet, an ulcer treatment. Its market share has been declining in the face of competition from Glaxo's Zantac and more recently from newer products, such as Losec, made by Astra of Sweden. However, sales of Tagamet in the US rose far faster than expected at 10 per cent.



Trevor Humphries

Bob Bauman: plans staff cuts of 3,000 by end of year, from world total of 55,000

Mr Bauman admitted that this rise was exceptional and unlikely to be sustained. Part of the increased demand stemmed from stockpiling by customers who were convinced that the price of the product would rise. In the event, the price was held.

But SB has also been very successful in selling Tagamet in the US managed-healthcare market, which consists of medical co-operatives set up to buy prescription drugs in bulk at attractive prices.

Sales growth of all SB's pharmaceutical products increased 13 per cent in the US, again adjusting for exchange movements. But in Europe, sales were just 1 per cent higher and fell 7 per cent elsewhere.

Turnover of the consumer products division, which makes drinks such as Lucozade and Ribena and a variety of other well-known branded products, rose to £331m (£322m). However, this was due principally to strong sales on the Continent. US turnover fell 9 per cent, as retailers reduced stocks, and UK sales were just 2 per cent higher.

Mr Bauman said he was very encouraged by the £1m of sales generated in the UK by Seroxat, the anti-depressant launched in February. Analysts believe world-wide sales of Seroxat could reach £650m a year, though substantial growth will not take place until it is approved for US sale, which is unlikely for a year.

Earnings in the quarter rose 18 per cent to 11p per 'A' share and to 55p (89.7c) per equity unit – the "stapled" stock issued to US shareholders in SmithKline Beckman at the time of the merger. SB will soon have the right to convert the units into shares, but Mr Bauman said it would not be exercised.

A dividend of 3.75p per share has been declared, up 10 per cent. The payout on the units is 42.16c.

The shares closed down 20p at 795p.

See Lex

Allied Textile bucks trend with marginal rise

By Alice Rawsthorn

ALLIED TEXTILE Companies, the Yorkshire wool textile group, bucked the downturn in its industry by achieving a small increase in pre-tax profits from £5.27m to £5.31m in the six months to March 31.

In spite of a fall in earnings per share to 12.81p (13.16p), the interim dividend is being lifted slightly to 4.4p (4.3p). Allied's shares rose by 8p to 394p on the announcement.

Mr Peter Honeysett, chairman, said the group, which has interests in most areas of wool textiles, had been able to maintain profits because of its "spread of product areas" in spite of the "poorest trading conditions for ten years" in some sectors of its business.

Allied, like other wool textile companies, has been affected by the downturn in the market for wool clothing. It was also hit in the interim period – when turnover rose to £59.03m (£52.69m) – by the impact of the Gulf war and by the instability of the raw wool market, where prices fluctuated dramatically.

Last year Allied made substantial profits from property sales. Mr Honeysett warned that the property contribution was likely to be lower this year because of the weakness of the property market.

However, he said Allied hoped to increase its property income again next year when interest rates came down and the property market recovered.

The group is also investing heavily in capital expenditure – particularly in its recently acquired carpet yarn spinning operation – which should filter through to profits in the next financial year.

Management reshuffle at Cadbury Schweppes

By Guy de Jonquières, Consumer Industries Editor

MR JIM Schadt has resigned as managing director of Cadbury Schweppes' worldwide beverage operations following the company's decision to move the top management of the business from the US to Britain.

The reorganisation also involves changes in the management of operations in the Pacific. Cadbury Schweppes said it wanted to integrate its headquarters' staff, to ensure consistent global strategies and enable resources to be allocated more effectively.

Mr Schadt has been replaced by Mr Frank Swan, formerly chief executive of Cadbury Schweppes Australia, who will also retain overall responsibility for beverage operations in Australia, New Zealand and the Pacific region. Mr Kevin Hayes has been appointed managing director of Cadbury Schweppes Australia.

Mr Swan and about 20 of the 480 staff at Cadbury Schweppes' beverage division in Stamford, Connecticut, are moving to the UK. Cadbury Schweppes said Mr Schadt, an American citizen, wanted to stay in the US and had left on amicable terms.

Mr Schadt, who was a main board director of Cadbury Schweppes, took over as head of the beverage operations in 1985. He played an important role in expanding the business beyond mixers, notably by international acquisitions.

These include Canada Dry, Sunkist and Crush in the US, Tri Naranjus and Citresa in Spain and parts of the soft drinks business of Perrier of France. There has recently been speculation – denied by the company – that it was considering a bid for Dr Pepper, a leading US soft drinks producer.

Cadbury Schweppes said the reorganisation would not reduce its commitment to the US. However, some City analysts saw yesterday's announcement as a sign that the company intends to give a priority to other parts of the world, where soft drinks markets are growing faster.

"The changes are clearly going to affect the shape and attitudes of the company's beverage business in the short- to medium-term because it will not be so obviously US-driven," said Mr John Campbell, food and drink industry analyst at County NatWest.

This is the second senior management reshuffle at Cadbury Schweppes in less than a year. Last September, Mr Neville Bain resigned as deputy chief executive and finance director to become group chief executive of Coats Viyella, the textile manufacturer.

EDS lifts offer for SD-Scicon by 25% and buys further 8%

By Richard Gourlay

ELECTRONIC DATA Systems, the General Motors subsidiary bidding for SD-Scicon, yesterday raised its offer by about 25 per cent, valuing the UK computer services company at £162m.

The new and final offer is 60p for the ordinary shares, compared to the earlier offer of 45p, and 139p for the preference, up from 102p.

SD-Scicon shares closed up 3p at 59p.

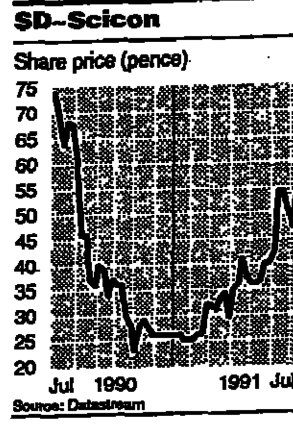
After the announcement, EDS bought 8 per cent of the ordinary shares in the market, taking its stake to about 33 per cent.

Credit Suisse First Boston, EDS' advisers, said that these purchases suggested shareholders did not believe there was a white knight over the horizon.

SD-Scicon said the bid was still far too low for a company which had made profits of £5.9m in the first half of this year, was forecasting £14m for the full year, and had a leading market position in three countries.

SD-Scicon

Share price (pence)



Source: Datastream

Mr John Jackson, SD-Scicon chairman, said he would be advising institutional investors not to accept this offer and to "come along for the ride" as the share price would not again fall to the 39p level it reached before it came into play.

He called EDS a "devious bidder" which, earlier this week, was prepared to say it would hold its then 25 per cent stake and bid again at a lower level, but then increased its offer to 60p.

Mr Jackson said the block of shareholders who control 48 per cent and who last month said they would not accept the 45p offer, had told him or his advisers that they would still not sell their holdings in the market at the moment.

EDS said it was increasing its offer "to effect a speedy end to the uncertainty affecting SD-Scicon's employees and customers".

The US company said SD-Scicon's shareholders faced a substantial risk if they did not accept the increased offer.

It said they should remember that SD-Scicon's actual performance appeared to be at variance with "the claimed powerful profit forecast and very strong recovery".

See Lex

Telfos tumbles to £5.84m loss

By Richard Gourlay

TELFOS HOLDINGS, the railway rolling stock company that survived a hostile takeover bid this year after revealing a string of disastrous non-core investments, yesterday reported a loss in the 15 months to March as new management swept clean the corporate carriage-work.

The company announced a pre-tax loss for the period of £5.84m, compared with a profit of £5.27m.

The loss was £4.8m higher than the company had anticipated for the year to December 1990 in March at the time Jenbacher Werke, the Austrian rolling stock manufacturer, increased its stake to 29.9 per cent and injected £14m of new capital.

The loss stemmed from poor operating results at Hunslet-GMT and Qualter Hall, the supplier of mineshaft equipment, and there was a £2.06m exceptional charge for the reorganisation of the Leeds factory and the closure of the London office.

Also taken above the line was a £3.3m loss on the sale of an investment in the Smaller Companies Investment Trust, a London-listed company where Mr Stephen Cockburn, Telfos's former chairman, is a director.

Extraordinary provisions of £18m were slightly lower than the company's £18.9m estimate for the end of last year. These provisions became necessary after a bid from William Cook, subsequently abandoned, flushed out troubles with Telfos's non-core investments.

The group had net cash of £3m and a strong shareholder in Jenbacher Transportation which has about £40m in cash.

There is no final dividend, making 3.6p (10p for 1989).

NEWS DIGEST

Benson makes £2m call as profits return

Benson Group, Midlands-based engineer, yesterday announced a £2.2m rights issue to fund possible acquisitions and invest in existing businesses.

Announcing a taxable profit of £142,000 for the year to end-May compared with a previous loss of £3.74m, Mr Richard Phillips, chairman, said many attractive acquisition opportunities existed in the current economic climate, but that these could be lost unless consideration could be satisfied in cash.

The 1-for-2 rights issue at 10p per share is underwritten by Noble Grossart. Brokers to the issue, comprising 23.93m new ordinary shares, are Allied Provincial Securities.

All divisions traded profitably in the year, Mr Phillips said, and borrowings were halved to £1m.

Sales were £10.2m (£12.1m). Earnings per share were 0.41p (11p losses). The group plans to return to dividends in the current year.

First Tech to make disposals

SHARES IN First Technology were suspended at 27p yesterday morning before the automotive, fire, security and safety systems group revealed heavy losses and announced disposals to gain continuing support from its bankers.

The group incurred a pre-tax loss of £3.03m in the year to April 30 on turnover of £37.3m, but also announced extraordinary provisions of £6.54m related to closures and disposals. In the previous year taxable profits were £6.71m on turnover of £41.5m.

The listing of the shares was restored after the market closed.

The group plans to dispose to its management Palcon Systems, which designs environmental control systems, and two automotive design companies, Design Engineering Consultancy Service and Anglo-Swedish Computing.

The final dividend was passed, leaving a total for the year of 1p

Exchange rates rein in Yorkshire Chem

Adverse exchange rates resulted in lower profits at Yorkshire Chemicals in the first half to June 30. On sales up 3 per cent at £44.8m taxable profits declined 7 per cent from £5.76m to £5.33m.

Less than 10 per cent of the tanning materials and speciality chemicals made by the company are sold in the UK.

The interim is 4.75p (4.5p) on earnings per share of 18.7p (19.9p).

Neepsend suffers second half fall

Neepsend, the machine and hand tool maker, saw full-year profits decline from £1.32m to £1.11m pre-tax.

Turnover for the 12 months to March 31 improved to £16.74m (£14.22m). A final dividend of 1p makes a same-again 1.5p total. Earnings emerged at 3.68p (6.01p) per share.

Unit falls into £240,000 loss

A difficult year at Unit Group saw its pallet division tackle reduced demand and its engineering division hit by cuts in defence spending.

On sales up from £26.2m to £28.6m a loss of £236,649 was reported before tax in the year to March 31, compared with a previous profit of £733,771. Trading profits from continuing businesses fell from £733,771 to £44,454.

UTEL, which made machinery used in pallet manufacturing, suffered losses of £151,223 and was forced to close. In addition, exceptional losses of £129,880 related to the reorganisation of continuing businesses.

There is no dividend payment (5p).

Prior loses £1m as property input drops

Prior, a property company, reported losses of £1.12m, against profits of £643,000 in the year to March 31. Turnover fell from £25.8m to £11m.

The contribution to sales from the property side fell from £11m to £5.4m.

An extraordinary item of £1.12m represented mainly a provision relating to the receivership of Knobs & Knockers, the architectural ironmongery business.

There is no dividend (5p).

Wheway sells units to MBO

Wheway has sold its Bevan Simpson and Midland Stom and Felco subsidiaries to Simpson Industries, a management buy-out company backed by Lloyds Development Capital, for an initial £2.25m cash. Deferred consideration of up to £1.7m is payable over four years dependent on profits of Midland Stom.

Watmoughs shares fall 46p on warning

Shares in Watmoughs (Holdings) tumbled 46p to 350p last night after the printing group warned that pre-tax profits for the first half of 1991 would be "significantly below" the £5.08m achieved last time.

Mr Patrick Walker, chairman, said the company, like others in the industry, had experienced difficult trading conditions during 1991, with profits particularly affected in the second quarter.

DIVIDENDS ANNOUNCED

Abbey National	int	3.5	Oct 14	3.15	-	9.5
Allied Textile	int	4.4	Oct 1	4.3	-	12
Control Secs	fin	0.15	Nov 8	0.75	0.7	1.25
Cowie (T)	int	1.5	-	1.2	-	3.7
Daily Telegraph	int	4.5	Sept 18	4.5	-	21☆
Flem Enterprise	fin	3.1	Oct 8	2.8	4.3	3.8
Neepsend	fin	1	Sept 25	1	1.5	1.5
Prior	fin	nil	-	2.5	nil	5
Ransom (Wm)	fin	1.169	Sept 23	1.169	1.694	1.694
Smith Beecham	int	3.75♣	-	3.4	-	14
Telfos	fin	nil	-	6.4	3.6‡	10
Unit Group §	fin	nil	-	2.5	nil	5
Unitech	fin	7.5†	Oct 1	7.5	11.7	11.7
Yorkshire Chem	int	4.75	Oct 1	4.5	-	13.5

Dividends shown pence per share net except where otherwise stated. §USM stock. ☆Includes 12p special. ‡For 15 months. ♣Second interim.

MONTHLY AVERAGES OF STOCK INDICES

	July	June	May	April
Financial Times				
Government Securities	84.72	83.74	84.53	85.13
Fixed Interest	93.82	93.03	93.77	94.54
Ordinary	1953.2	1951.7	1952.2	1983.2
Gold Mines	208.8	197.6	155.1	140.8
SEAQ Bargains(4.45pm)	27,891	25,623	26,889	36,208
F.T.-Actuaries				
Industrial Group	1,240.52	1232.77	1233.85	1242.10
500 Share	1,342.46	1330.25	1331.16	1342.30
Financial Group	788.08	785.09	805.83	830.92
All-Share	1,208.52	1198.76	1203.75	1217.27
FT-SE 100	2530.1	2495.1	2493.3	2514.2
FT-SE Eurotrack 100	1107.24	1143.22	1127.59	1116.20

	Highest July close	Lowest July close
Ordinary	2011.8 (30th)	1891.3 (8th)
All-Share	1238.79 (29th)	1172.21 (1st)
FT-SE 100	2585.6 (30th)	2443.6 (1st)
FT-SE Eurotrack 100	1120.13 (23rd)	1090.75 (8th)

UK COMPANY NEWS

Lilley to raise £24m as Spanish take 21.5% stake

By David Owen

THE AILING UK construction sector received a much needed vote of confidence yesterday with the news that two leading Spanish civil engineering groups are paying a 24 per cent premium to yesterday's closing market price for a 21.5 per cent stake in Glasgow-based Lilley.

The deal will enable the construction and contracting group to cut gearing by raising £24m through an issue of new ordinary shares at 54p.

The buyer will be Tibest Tres, a company jointly owned by Cubiertas and Entrecanales of Spain. Lilley, for its part, is to invest £8.35m in Cubiertas shares, as part of what are billed as "extensive co-operation arrangements", giving it a 2 per cent interest in the public and infrastructural works specialist.

Mr Bob Rankin, chief executive, said that besides strengthening the balance sheet, the deal would benefit Lilley by giving it access to larger infrastructural projects.

"The cross-shareholding will act as a real motivation for both sides to make sure that the benefits of collaboration work," he added.

From the Spanish perspective, the deal is the first in what is intended to be a series of cross-border tie-ups through which the joint-venture partners hope to exploit the globalisation of European markets.

"From a financial point of view, we think it is a sound investment," said Mr José Manuel Entrecanales of Entrecanales. "We think it [Lilley] was something of an undervalued company in the market."

In the wake of the transaction, which will be submitted for shareholder approval at an August 30 extraordinary general meeting, Lilley's pro forma net assets will rise to £55m, trimming gearing to about 29 per cent from just under 100 per cent at the last year-end.

Two Cubiertas representatives are being invited to join what will then be a 10-member Lilley board. Tibest Tres has entered into a standstill arrangement for three years, preventing it from raising its stake in Lilley above 23 per cent.

Last year the Scottish company suffered a 26 per cent fall to £14.14m in pre-tax profits on sales of £323m.

Cubiertas, which is the main contractor on the Garibaile dam as well as various projects for both the Barcelona Olympics and Expo '92 in Seville, had turnover of Pta163bn (£890m) in 1990. Entrecanales, whose current projects include work on the Large Electron Position collider for CERN in Geneva, turned over Pta120bn.

See Lex

Macfarlane appointed finance director at Allied-Lyons

By Philip Rawstorne

ALLIED-LYONS, the drinks and food group, which lost £147m on foreign currency dealings earlier this year, yesterday announced that Mr Peter Macfarlane, finance director of Rolls-Royce, is to be its new group finance director.

The appointment of Mr Macfarlane, whose record in international finance includes particular expertise in treasury operations, was welcomed in the City.

Shortly after joining Rolls-Royce as group treasurer in 1979, he introduced new management systems for the company's foreign exchange activities.

"I see the job of a company treasurer as one of reducing exposure, not increasing it," he said yesterday.

That sentiment provided further reassurance to institutional investors after the shock of Allied's foreign exchange losses. The group has already introduced new management controls.

Mr Macfarlane, 53, will take up his new post on October 1.

Peter Macfarlane: expertise in treasury operations

The move will complete top management changes at the group which have seen Mr Michael Jackaman take over as chairman, and Mr Tony Hales as chief executive.

Mr Tony Trigg, who has been acting as finance director since the resignation of Mr Cliff Hatch, is to join the board as managing director of Allied Breweries, under Mr Roy Moss.

Mr Macfarlane will bring experience in general management as well as his financial skills to the Allied board.

During his 10 years with Rolls-Royce, he was for three years director of its industrial and marine division. In 1985, he became director of corporate development and managed preparations for the company's privatisation.

He has been responsible for mergers and acquisitions activity and played a leading role in the £320m acquisition of NEI.

Control Secs makes BCCI provision

By Vanessa Houlder, Property Correspondent

A PROVISION of £3.8m against gross exposure to the Bank of Credit & Commerce International helped push Control Securities, the property and leisure group headed by Mr Nazmu Virani, into loss for the year to end-March.

At the pre-tax level the loss worked through at £3.3m compared with last year's profit of £23.7m. The company's net asset value per share dropped by 16 per cent from 90.6p to 75.8p.

The final dividend is being cut from 0.75p to 0.15p, making a 0.7p (1.25p) total.

The company stressed that it had an "excellent" relationship with its bankers and had funds available for its foreseeable needs.

The move into loss followed exceptional charges of £18.2m. These included a £5.5m loss arising from the dissolution of a joint venture with Rosehaugh and a write-down of trading properties of £3.6m. The £3.8m provision against exposure to BCCI related to a £500,000 account for dividends awaiting collection, the rent on two buildings left vacant by BCCI and money in certain management accounts. The company expects to offset its £2.5m overdraft with BCCI against its deposits.

Turnover increased from £115.8m to £130.6m while operating profits fell from £37.3m to £36.1m. The interest charge increased from £13.6m to £21.2m.

● COMMENT

No wonder Control Securities' shares crashed from 20p to 13.5p when the BCCI collapse was announced. BCCI owned 5.5 per cent of Control and rented two of its buildings; Control was a customer of the bank, as were hundreds of its shareholders. However, yesterday's results suggested that the damage inflicted by BCCI was limited, prompting a partial recovery in the shares from 14p to 17.5p. Nonetheless, that alone has done little to narrow the discount to assets, which assuming a net asset value of 70p next year stands at 75 per cent. The concern about Control clearly extends further than its involvement with BCCI, with particular attention focused on the gearing, which if deferred payments are included, comes close to 100 per cent. However, worries about Control's survival prospects are overdone. Interest payments are covered by the rental income and profits in the leisure division, which has performed strongly over the past year. It is hard to see much downside in the shares, although any strong advance seems unlikely until the shock waves of the BCCI debacle have died away and its 5.4 per cent stake placed.

Cowie bucks recession with 28% advance

By Richard Gourlay

T COWIE, the finance and car dealer group, has ridden the worst recession in the car market for decades with a 28 per cent rise in profits helped by the strength of its second-hand sales and the fall in interest rates.

Pre-tax profits rose from £6.06m to £7.75m in the six months to June on sales up marginally at £291.5m.

The interest charge fell by £2.58m to £20.1m on debt of £315.2m, which leaves the group with gearing of 350 per cent, a level analysts say is acceptable for the type of business.

Earnings per share rose 20 per cent to 4.58p and the company will pay an interim dividend of 1.5p, up 25 per cent on last time.

Mr Tom Cowie, chairman, said that recession had never been so deep in the car industry and that the recent reduction in interest charges had not yet stirred consumer demand.

He expected that national sales of the new J-registration cars, which come out today, would be down by at least 25 per cent this year and that sales would not recover for at least a year.

Cowie's finance division, involved in contract hire and car leasing, raised its profits by 52 per cent to £4.99m over the period.

Mr Cowie said that speculation that the Chancellor of the Exchequer had wiped out the benefit of the company car in his March budget, prompting companies to offer extra cash instead, had proved to be unfounded.

The motor division, which sells new and second-hand cars and offers profitable add-ons like bodywork and after-sales care, also moved ahead. Profits rose 12 per cent to £3.22m over the period on sales up £117.6m to £172.8m.

Part of the increase in sales was due to a contract to supply Hertz, the vehicle rental group, with 40,000 Ford and Vauxhall cars over two years and partly due to the strength of the second-hand market.

Profits in the bus and coach operations, including Grey-Green which serves London, rose from £129,000 to £507,000.

Lionheart in £7.7m buy as profits rise

Lionheart, the housewares and retail systems group which has been active on the takeover front over the past 12 months or so, yesterday unveiled a further acquisition and a sharp rise in first-half profits.

The acquisition is that of the Croydex Company, a leading brand in bathroom and household products. Purchase price was £7.7m funded via the issue of 45.8m shares at 19p. The vendor was Hanson.

Croydex made operating profits of £1.3m on sales of £17.2m in 1990.

For the six months to end-June Lionheart, formerly known as Spong Holdings, returned taxable profits of £768,000, compared with £154,000 previously.

French merger cuts Unitech to £18.5m

By David Owen

UNITECH has reported a 30 per cent decline from £26.2m to £18.5m in annual pre-tax profits, following a marked downturn at its connectors and special products unit.

Profit from this source tumbled from £8.13m to £2.96m. The international electronic components maker attributed the reversal partly to the significant but unspecified cost of merging its two French connector companies.

The final dividend was maintained at 7.5p, giving an unchanged total of 11.7p.

Turnover dropped by 12 per cent to £256.8m (£291.5m), reflecting the disposal of three businesses with combined annual sales of £19m and adverse currency fluctuations. The strengthening of sterling also depressed pre-tax profits to the tune of £1m.

Despite raising capital expenditure to a net £25m, the group reduced year-end debt to £54.5m (£69.6m) and gearing to 61 per cent (113 per cent).

This was partly thanks to the proceeds from floating Nemic-Lambda, its Japanese power supply subsidiary.

Power supplies continued to generate the lion's share of both sales and profit, contributing £19.4m (£21m) on turnover of £159.2m (£167.2m).

Earnings per share fell by 37 per cent to 11.5p (18.4p).

● COMMENT

If ever there were a stock in thrall to two diametrically opposed schools of thought, Reading-based Unitech is the one. The bulls point to the value of the Nemic stake, the group's strong international position in a highly fragmented global market and the presence of two stakeholders with comfortably more than 50 per cent of the shares whose intentions are not fully known and conclude that it is undervalued. The bears highlight an extravagant p/e (assuming full-year profits of around £20.5m) of about 22, the extreme difficulty of realising the value of the Nemic shareholding without breaking the group up and jeopardising its international network and their perception that the likelihood of a bid is diminishing and draw the opposite conclusion. Interestingly enough, there are proponents of both schools of thought who believe that the group might make a UK purchase of its own in short order, making use of its highly-rated paper. This would help to nip an emerging Advanced Corporation Tax problem in the bud, they reason.

British Steel at crunch point over US joint venture

By Charles Leadbeater, Industrial Editor

BRITISH STEEL has reached the crunch point in its talks with Bethlehem Steel of the US on a joint venture in the US market for structural steels.

A senior British Steel director said yesterday that the companies had started a period of tough bargaining as they still differed on a number of key issues over how the venture should be managed and financed.

The two British Steel executives leading negotiations on the proposed deal are flying back to the US this week to continue the talks.

Sir Robert Scholey, British Steel's chairman, told the annual general meeting yesterday that both companies were determined that the venture should only proceed if it could meet the best world standards of efficiency.

Three unresolved issues are understood to be at the heart of the talks.

● The venture needs a labour agreement which would allow Bethlehem to compete with non-union mini-mills. Such an agreement would not only involve heavy job losses at Bethlehem but could also set a new standard for manning agreements within the traditional steel sector. Many UK analysts doubt whether the US steel unions are prepared to agree a sufficiently radical package to allow the venture to compete with mini-mills.

● The scale of the investment required could strain the resources of both companies.

● The timing of the investment is also at issue, particularly how much British Steel would have to pay up front to set up the venture.

St Modwen Properties tumbles to £1.02m

By Paul Cheeseright, Midlands Correspondent

ST MODWEN Properties, the development and investment group based in the West Midlands, suffered the sector's customary profits decline in its first half, but is now roughly matching its debt charges with rental income.

Pre-tax profits for the six months to end May were £1.02m, compared with £3.06m. This is equal to earnings per share of 0.6p (1.7p).

First-half earnings in the current year were at the same level as in the second half of last year and Mr Stan Clarke, the chairman, predicts that "profitability, barring unforeseen circumstances, is expected to continue at the present rate during the second half."

Although St Modwen has reduced its gearing to 86 per cent against 126 per cent in November 1990, the fact that it has stopped capitalising interest charges was the main cause behind a jump in its debt charges to £3.2m during the 1990-91 first half from £1.3m last time.

However, over the past year the size of the group's rent roll has increased by 54 per cent to £6.5m and is now sufficient to cover the cost of borrowings. The company's rent roll is expected to reach £10m by the end of 1992.

PUBLIC WORKS LOAN BOARD RATES

Effective

Years	Quota loans* EIP†	A††	maturity§
1			$10\frac{7}{8}$
Over 1 up to 2	$10\frac{7}{8}$	$10\frac{7}{8}$	$10\frac{3}{4}$
Over 2 up to 3	$10\frac{3}{4}$	$10\frac{3}{4}$	$10\frac{3}{4}$
Over 3 up to 4	$10\frac{3}{4}$	$10\frac{3}{4}$	$10\frac{7}{8}$
Over 4 up to 5	$10\frac{3}{4}$	$10\frac{3}{4}$	$10\frac{7}{8}$
Over 5 up to 6	$10\frac{3}{4}$	$10\frac{7}{8}$	11
Over 6 up to 7	$10\frac{7}{8}$	$10\frac{7}{8}$	11
Over 7 up to 8	$10\frac{7}{8}$	$10\frac{7}{8}$	11
Over 8 up to 9	$10\frac{7}{8}$	11	$11\frac{1}{8}$
Over 9 up to 10	11	11	$11\frac{1}{8}$
Over 10 up to 15	$11\frac{1}{8}$	$11\frac{1}{8}$	$11\frac{1}{8}$
Over 15 up to 25	$11\frac{1}{4}$	$11\frac{1}{8}$	$11\frac{1}{8}$
Over 25	$11\frac{1}{8}$	11	11

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Bancomat cashes in

Michael Dempsey describes how automatic branches are changing the face of Italian retail banking

Hard-pressed high street banks looking to cut costs should drop in on Iverea in northern Italy. In a clinically-clean tiled room the local population is coming to terms with the latest development in retail banking – the automatic branch.

It is a bank with all the usual customer services – but no tellers. The familiar hole-in-the-wall cash machine is joined by video disc displays selling insurance and screens offering share quotes. The entire branch is built by Olivetti, the Italian computer group: the service machines rejoice in the brand name Bancomat.

The Iverea site has operated for the last year and allowed San Paolo Bank to gauge public demand for fully automatic banking. Financial counselling and advice delivered through interactive video disks have proven so popular that San Paolo has seen a 25 per cent increase in custom for financial services at the site.

The bank has earmarked L120bn (£55m) for Bancomats over the next three years.

The prime benefit seems to be in increased custom. What the bank gets is a fully-functioning branch for around $1 million without normal staff costs. Meanwhile Italian banking unions are satisfied that the technology will improve the tellers' lot, reducing repetitive tasks such as doling out cash.

The automatic branch is heading for other parts of Europe. The Netherlands's Rabo Bank has signed a contract for three pilot sites, and Olivetti is in discussions with a UK building society. Building societies have proved more adept at introducing customer-friendly technology than many UK banks.

Banco Portugues do Atlantico (BPA), the premier commercial bank in Portugal, also has introduced 50 automatic branches in Lisbon and Oporto. BPA says it recoups the cost of building an automatic branch in three years.

Back in Italy, Banca Commerciale Italiana (Comit) opened its first automatic branch, called Banca Non-Stop, in Genoa in 1989. Comit is planning on 352 of these branches over the next two years, nearly doubling its branch network.

The working theme for the bank is "a few people, a lot of machines". Banca Non-Stop accounts for half of the banks' annual L70bn information technology expenditure.

Comit's second Banca Non-Stop is in Milan, across the road from La Scala. Nine service machines are arranged in a circle broken only by the entrance. Customers breeze in to collect cash, change foreign currency and watch the video discs advertising financial services. Touch-screens, throwing up promotional videos and financial advice, are the star attraction.

By pressing one portion of the touch screen you learn about personal loans or house insurance; another monitors stocks and shares. Italian law does not yet allow customers to sign on for financial services at an automatic branch. But the Bancomats' success has prompted Italian banks to lobby Rome for a change in the law by 1992.

The theory of the automatic branch, as expounded by prime supplier Olivetti, is to operate without any human intervention. In practice this prestige site warrants a day manager.


San Paulo was one of the first Italian banks to go automatic

Giuliani Luciano is manager and sole staff member of Comit Non-Stop in Piazza Scala. Formerly an assistant branch manager, he was put there to answer queries about the Bancomats. Since Italians seem happier with computer displays than bank clerks his main job is directing tourists who wander in.

"We can change everything except metal and gold," Luciano boasts. It's a one-way transaction, to lira. But the Japanese regard it as a post-opera treat and most major currencies can be changed."

Olivetti is using Banca Non-Stop to bark at IBM's heels in European banks. Olivetti assumes sole contractor status, choosing the site, allocating construction work and installing machines by arch-rivals NCR and IBM. This is a shrewd move in an era in which banks are becoming painfully conscious of the cost of computing. Dealing with a single supplier is a reliable way to keep information technology under one roof.

The market for computer systems in western European banks should exceed $3.25bn this year. This figure conceals a 25 per cent annual growth in outlay on smaller, personal computer systems. Improved self-service devices owe their existence to powerful PC technology, and Banca Non-Stop is riding on the coat-tails of this trend in bank spending.

Montpellier takes pole position


Technopole: more than a science park

The British government insists that companies investing in the UK should set up quality research and development centres, not just screwdriver manufacturing plants. Regional development areas elsewhere in Europe, however, believe they already have the research capability – what they need is the work.

With an unemployment rate of 14 per cent, Montpellier, on France's Mediterranean coast, and capital of the Languedoc-Roussillon area, is trying to attract high-technology factories. "We would be pleased to have assembly here. We need a lot of unskilled work," says Pierre Mathieu, international business manager for the Montpellier Technopole. "We already have a high concentration of brains in the area."

Hit by the decline in agriculture, in particular red wine production, Montpellier has been left with few indigenous means of production. "We're moving from the 18th century to the 21st century," explains Mathieu. "There was no industrial revolution here."

But with the historical city enviably placed on France's sunbelt, Montpellier is proving to be particularly popular with the French. In a recent survey 66 per cent of French people said Montpellier would be their favourite place to live.

Residents from as far afield as Paris and Lyon are flocking to the city. The result is that some 80 per cent of Montpellier inhabitants are from outside the town, making it now the seventh largest city in France – bigger than Bordeaux. Many of the residents are ex-university students who come to the Mediterranean city and are loath to leave. (Montpellier boasts three universities, an institute of technology and numerous colleges which produce some 50,000 graduates each year.)

Mathieu believes this popularity should encourage companies to settle in or relocate to the area, because it enables them to give their employees a good quality of life. He has had some success: as well as winning the epithet for having the fastest-growing population in France, Montpellier is also the fastest-growing city in terms of the number of jobs created. More than 4,000 businesses are already accommodated in Montpellier's business and technology parks.

While most of those jobs have been created by French companies, Mathieu is now focusing on bringing overseas companies into the area. He is selling Montpellier as the Technopole – a technology city, where housing is integrated with offices and production facilities. The Technopole, he insists, is not just a science park in the middle of nowhere.

The concept is based on five "poles", each specialising in one industrial sector. The Euromedecine pole brings together companies working in healthcare, the Agropolis pole those concerned with agriculture, Antenna with telecoms and the media, Heliopolis with tourism and culture and Informatique with computers.

Mathieu admits that times are hard, particularly trying to attract companies from Japan and the US. "The competition for Japanese companies is particularly tough. For them you really need a strong national representation, such as Ireland or Scotland has," says Mathieu. One Japanese success has been Toshiba, which is setting up a light bulb manufacturing facility as part of a joint venture with GEC-Alsthom.

Della Bradshaw

Urban transport

Hurdles in the road to a smog-free destination

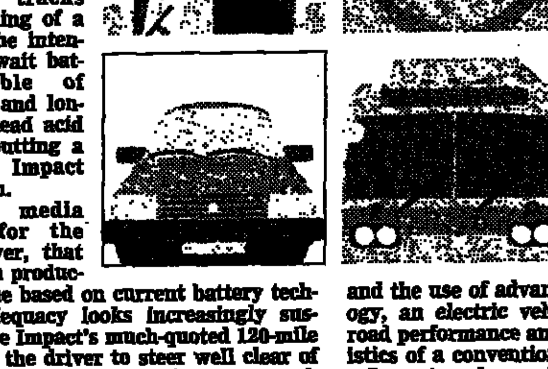
John Griffiths concludes a series by examining the progress of the electric car

General Motors has a public commitment to build the world's first mass-produced electric car. It has set up a subsidiary to build it, and allocated a plant to build it in. It also has a problem.

More accurately, as the weeks pass it appears to have a growing number of setbacks with its "Impact" project which, as touted by former GM chairman Roger Smith when unveiling it 20 months ago, would allow GM to comply with Californian "clean air" rules for the late 1990s and found a new branch of the auto industry.

GM this week denied reports that the Impact project is on temporary "hold", insisting that it is "progressing". But some of the early momentum appears to have been lost. A few months ago, GM formally set itself the target of having the car on sale by 1994. Now, against the background of a cold financial climate talk is of the production version of the Impact going on sale "in the mid-1990s".

To some extent, Smith painted GM into a corner with Impact. The original idea was to demonstrate that an electric vehicle did not have to be slow and barely "traffic compatible". Having achieved that – the sight of Impact whizzing like a sports car at 100mph around test tracks caused something of a sensation – the intention was to await batteries capable of greater range and longer life than lead acid types before putting a car based on Impact into production.



Such was media enthusiasm for the vehicle, however, that GM opted for a production programme based on current battery technology. Its adequacy looks increasingly suspect. To achieve Impact's much-quoted 120-mile range requires the driver to steer well clear of using its fast acceleration (standstill to 60mph in around eight seconds) or top speed.

That range is also achievable only on the basis of a full, eight-hour recharge. Not least, the heavy (870lb) $1,500 (£900) battery packs, comprising 32 10-volt units connected in series, do not yet appear to have met the project target of providing enough deep discharge cycles to cover 25,000 miles before replacement. GM originally wanted a battery pack life of 40,000 miles before committing to production.

But there is time yet for the sceptics to be confounded. Several factors make it unlikely that the Impact will suffer the same fate as previous electric vehicle projects.

For a start, there is the legislative incentive provided by California. In 1998, 2 per cent of all cars, vans and light trucks sold must be "zero emission vehicles", in other words electric. That figure will rise to 10 per cent in 2003.

So far, GM has given no indication of a likely price for a car based on Impact. In Europe, as the absolute price of petrol and diesel rises so the expected higher purchase cost of electric cars could be increasingly offset by cheaper operating costs.

The US industry is also making its first concerted, large-scale effort to develop new generations of batteries intended to put the viability of electric vehicles beyond doubt. In January GM, Ford and Chrysler, with federal government collaboration, created the US Advanced Battery Consortium committed to spending $1.2bn over the next 10 years to develop "superbatteries", with sodium-sulphur and nickel-iron units among the front runners.

Even batteries like these, with up to four times the energy density of lead acid batteries, will not turn an electric vehicle into a true rival of the petrol car. But they should be able to provide enough range to allay most potential buyers' fears of flattened batteries on an urban Los Angeles freeway.

Not least, Impact is a purpose-built electric vehicle, whereas most would-be rivals are adaptations of conventional cars, like Peugeot's 205 electric hatchback prototype. The car demonstrates that by appropriate design, good aerodynamics, the use of lightweight materials, ultra-low rolling resistance tyres and the use of advanced electric motor technology, an electric vehicle can have similar on-road performance and agile handling characteristics of a conventional car.

Impact makes extensive use of aluminium, for wheels, braking systems and other key components, within a lightweight plastic composite body. Its operating range is made possible in part by regenerative braking, in which the twin induction motors driving the front wheels feed electrical energy back into the battery pack.

GM is far from alone in its efforts to produce a viable electric vehicle. Chrysler, Ford, indeed every sizeable manufacturer including the Japanese has projects under way, not wishing to be excluded from the lucrative Californian market. Impact is merely the best known.

Previous articles in the series appeared on July 11, 18 and 25.

Arbitration law under scrutiny

By A H Hermann

ENGLISH arbitration law is once again under scrutiny and a draft bill may be soon produced as a result of privately financed efforts. The success of the bill, however, and indeed the application of any legislation depends on a change of heart in the judiciary.

It is one of the many oddities of English commercial law that arbitral awards can be appealed to court on issues of law. Criticising the modest restriction of appeals when the 1979 Arbitration Act came out, Mr Justice Mustill (as he then was) told me: "The possibility of appealing arbitral awards to court is indispensable for the development of English commercial law."

At the time this attitude was an article of faith in the Commercial Court, a division of the High Court in London. Discussing it, Lord Devlin, one of the great English judges, quipped: "The next step would, I suppose, be a prohibition placed on the settlement of cases involving interesting points of law."

At a time of galloping inflation in the late 1970s, the losers in any arbitration were grateful for this attitude of the Commercial Court: even a hopeless appeal could postpone the enforcement of an award for years, and reduce it to a fraction of its original value in line with inflation. For the same reason, however, the aggrieved parties seeking damages voted with their feet, and, whenever possible, took their dispute to other jurisdictions where arbitration was not looked upon as a fodder for the creativity of judges.

Alarmed, London's great arbitration industry proposed that parties should be able to opt out of judicial review. Such heresy was, of course, opposed by the judges of the Commercial Court. The result was an ugly compromise, the 1979 Arbitration Act, which no one likes and which some judges find incomprehensible.

The superior courts interpreted the act so as to reduce the number of appeals. The Commercial Court judges mutinied. One of them said in a judgment that Lord Diplock did not understand the problems of arbitration and he did not feel bound by his views. They did not want to stop the flow of appeals. In the end, the superior courts prevailed to a certain extent. But the guidelines laid down by the House of Lords in *Nema* still give the Commercial Court judge a very wide discretion over applications for leave to appeal against errors of law said to be apparent from the face of the award.

Years passed, and Sir Michael Mustill went from strength to strength. After a series of long judgments which read like textbooks, and Mustill & Boyd's Commercial Arbitration, an impressive textbook which reads like a judgment, he was elevated to the Court of Appeal and became chairman of the Department of Trade and Industry Advisory Committee on Arbitration. This dashed, for some time, all hopes for a radical, business-friendly revision of the law.

Nowadays it is no longer a question of abandoning London arbitration, but rather of abandoning both litigation and arbitration in favour of various methods of alternative dispute resolution (ADR). Organisations of lawyers and industry offering ADR facilities are mushrooming. Recession generates disputes, but also a stricter scrutiny of costs – and arbitration dominated by barristers is often nothing but a very costly wigless litigation.

This new threat to the arbitration industry strengthened the position of reformers. The DTI advisory committee is now chaired by Mr Justice Steyn, a progressive judge, and is working on a new arbitration act – a project privately financed and in the hands of a bill sub-committee chaired by Mr Martin Hunter of Freshfields, the City law firm.

In his recent Freshfields Lecture at the centre for commercial law studies, Queen Mary and Westfield College in London, Professor Roy Goode revealed the thinking which inspires at least some members of the DTI advisory committee on arbitration, of which he is a member. His views seem to be in line with the views expressed by Mr Justice Steyn, its chairman, in his fourth Ronald Bernstein Lecture last year.

At the root of the many painful problems of English arbitration law is the reluctance to recognise that foreign parties coming to London to settle their disputes should be entitled to a treatment which takes into account the international context of their deal.

Paying a handsome tribute to the late Professor Clive Schmitthoff, who pioneered a new international *lex mercatoria*, Professor Goode said: "The old law merchant, a diffuse and unqualified body of trade usage was international in character, was founded on good faith, and was largely free from the technicalities of national law ... its administration was informal, flexible and fast". Professor Goode clearly favours the adoption of the new transnational law, emerging in the form in international conventions and uniform trade practices. One can hope, that a code or uniform trade terms could, perhaps, one day provide contracting parties with an alternative to the uncertainties of English commercial law.

Professor Goode lists four points in which the present English law falls short of the international ideal:

- an arbitrator cannot adjudicate on the validity of the agreement containing the arbitration provision under which he was appointed;
- an arbitrator is obliged to observe the rules of evidence applicable to ordinary litigation except so far as the parties otherwise agree;
- an agreement purporting to confer on an arbitrator power to decide a case ex *aequo et bono* has no legal effect;
- a party can, with leave of the High Court, appeal from an award on grounds which include an error of law on the face of the award, except where the parties have exercised their right to exclude judicial review which, however, they do not have in the case of marine insurance and commodity arbitration.

Parties can now avoid some of these disadvantages by agreeing that the arbitration should be governed by the rules of the International Chamber of Commerce or of the London International Court of Arbitration. If they agree on an arbitration system which allows the arbitrator to decide the dispute according to what appears to him to be fair and just, the English courts will now respect it.

This is a great advance against the previously dominant view that such an agreement negates an intention to create legal relations, a view which Professor Goode considers to be quite illogical.

Professor Goode also takes the view that jurisdictional issues should be decided before arbitration starts and not only after much time and money has been spent. It should be assumed that, in general, parties intend to confer on the arbitrator the power to determine the validity of the contract between them, which means that the arbitration clause has a separate existence independent of the validity of the contract itself. While Mustill and Boyd insist that arbitrators are bound by the English rules of evidence, Professor Goode thinks that parties opt for arbitration expecting informality and a commercial approach to their dispute. The English law of evidence has the tendency to regidity which is alleviated only by the robust good sense of English trial judges.

Finality, confidentiality and speed are often said to be the main advantages of arbitration over litigation. Unfortunately, it is difficult to speak of finality if one accepts the still respected views of Mustill and Boyd who discuss on 19 pages of their book the various considerations a judge should or should not have in mind when dealing with an application for leave to appeal. They conclude that the House of Lords guidelines are not exhaustive.

Professor Goode comments: "If I were asked by foreign parties whether they could rely on an English arbitration award being final if all the rules of natural justice, procedure and jurisdiction had been followed, my answer would have to be 'God only knows'". He favours reform which would restrict judicial review to fundamental and clearly defined grounds, as in the Uncitral model law.

Alternatively, as Professor Schmitthoff once proposed in this column, one could leave it to the parties to "opt in" instead of opting out of judicial review, in their arbitration agreement.

When the award is not final and goes to court for a review, this is also the end of confidentiality and also, of course, of speed. Indeed the dispute then probably takes twice as long as if the parties had chosen litigation right away.

One must hope that the bill now being drafted will reflect this view. And that it might even allow arbitration proceedings to open with an attempt at conciliation. And that it will not be killed by the cabal of the commercial bar and senior judges.

The author is D J Freeman senior research fellow in international trade law at Queen Mary and Westfield College, University of London

Brazil seems set to shun revival of coffee pact

By Victoria Griffith in Sao Paulo

BRAZILIAN COFFEE traders believe their government has given a clear signal that it is not interested in renegotiating the International Coffee Agreement in the near future.

That is the interpretation they put on yesterday's announcement that they can once again register coffee exports for up to 12 months ahead and at either fixed or to-be-fixed prices. This completely reinstates the rules on coffee exports in effect until March 21 this year, when the economics ministry stunned the market by announcing that it was suspending export registrations.

The government subsequently re-opened registrations, but only until January and with tighter restrictions on pricing.

Mr Celsius Lodder, director of the Department of Supply and Prices, who made the announcement, also said that the government had made no decision regarding renegotiating the International Coffee Agreement.

In March, the government had justified the closure of registrations by saying it was studying the possibility of backing the revival of the agreement's price-supporting export quota system, suspended two years ago.

"Everything has gone back to the way it was before," said a Rio de Janeiro-based trader. "I don't think there will be any agreement."

Mr Lodder met key representatives from the Brazilian coffee sector on Tuesday. The representatives asked the government to release funds to help farmers finance the coffee harvest currently in progress. However, the government has not committed itself to any financing.

Century deposit may add 10% to world zinc output

By Kenneth Gooding

AUSTRALIA'S NEXT major mining area will be in north-west Queensland where CRA recently made its world-class Century zinc-lead discovery, according to Mr Ross Louthean, editor of the Register of Australian Mining.

The Century deposit, which might add about 10 per cent to world output of zinc concentrate from the mid-1990s, was selected this year by the register as Australia's "major new resource".

At the UK launch of the register yesterday Mr Louthean said other companies had made discoveries in the area which now seemed certain to become as important to Australia as the Broken Hill and Mount Isa regions.

Ore reserves are at present estimated to be 140m tonnes with an average of 7 per cent zinc, 2 per cent lead and 60 grams of silver a tonne, which makes it the sixth-largest known zinc-lead deposit in the world. It could prove to be much larger.

Although Century is in a very remote location and there is no infrastructure, analysts suggest it could be a very low-cost operation because of the size of the ore body and its proximity to the surface.

Century will cost at least A$500m to develop. CRA could have a 5m tonnes a year mining operation producing 400,000 tonnes of zinc concentrates by the end of 1995.

"Register of Australian Mining 1991-92," £127 from City of London PR, Mercury House, 14 Finsbury Square, London EC2 1BR.

Big fall in copper output cost forecast

By Kenneth Gooding, Mining Correspondent

COPPER PRODUCTION costs will continue to fall in real terms and by 1995 most of the industry's output will be below 60 US cents a lb in constant 1989 money, the Commodities Research Unit consultancy group suggests in a special report today.

The bulk of the industry's output – 6.5m tonnes of copper – will cost 60 cents or less to produce compared with 6m tonnes at or below 80 cents a lb in 1989, says CRU.

The main reason for the costs fall is that 470,000 tonnes of new capacity is forecast to come into production before 1995. In addition, there will be another 854,000 tonnes of medium and low cost incremental production from expansion of present capacity.

Costs will continue to fall beyond 1995, CRU believes. Another 500,000 tonnes of production from new mine projects is likely together with the closure of 26 mines eliminating about 1m tonnes of high-cost output.

This should leave about 8m tonnes of copper output at or below 60 cents a lb by 2005.

If copper prices fall to 80 cents a lb soon, 17 of the world's 95 big copper mines studied will be vulnerable.

Among them are six, with an output of 200,000 tonnes, which would not be able to reduce their direct operating costs below 90 cents a lb, while another seven, representing 250,000 tonnes, would not be able to go below 80 cents. Only eight of the vulnerable mines would be prevented from closing by political factors.

CRU says only low-cost mines hedged some output to protect against price falls while only a few countries, such as Zambia and Zaire, devalued currencies to support domestic mining.

"Copper Mine Cost Structure and Equilibrium Prices to 2005." £6,000 from CRU, 31, Mount Pleasant, London WC1X 0AD.

The sweet and sour fruits of Milpa Alta

Candace Siegle on the marketing problems of growers of the Mexican nopal cactus

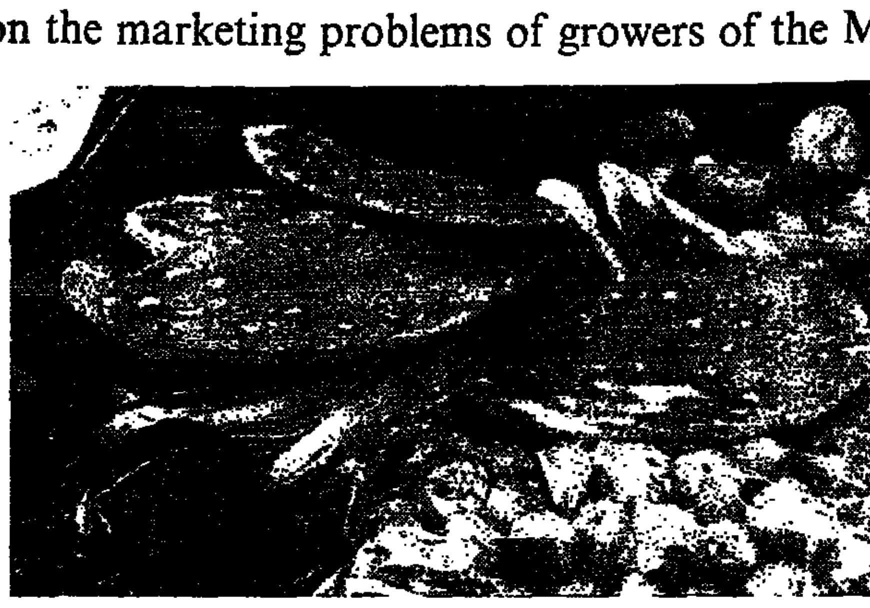
Its name means "tall cornfield," but for the past 20 years the small town of Milpa Alta has been more renowned for its nopales than its corn-on-the-cob. Though formally part of Mexico City's teeming Federal District, it has far more in common with the provinces than it does with the world's largest metropolis. More than 70 per cent of the Milpa Alta's 6,000 or so residents earn their living by cultivating the edible nopal cactus.

Briefly it looked as if drowsy Milpa Alta was on the verge of a boom as Mexican government officials began to boast about successful nopal export projects to Japan. The schemes did not exist. Nopal shipments are negligible. The question is why.

The nopal plays an important part in Mexico's image. The round leafed cactus figures, topped by an eagle with a snake in its mouth, on the Mexican flag. To say that someone is "as Mexican as the nopal" is to say that that person is very Mexican indeed. Nopales have been featured in hundreds of Westerns , especially films in which sheriffs chase bad guys through dusty dry Mexican villages.

It seems an unlikely comestible but since pre-Hispanic times the cactus has been an important food in Mexico, prized both for its taste and for its remarkable health-giving qualities. As well as being an excellent source of fibre, the nopal is rich in calcium, phosphorous iron, and vitamins C, B1 and B2. Tentative results of research indicate that nopales are excellent for lowering blood sugar. Moreover, it is a perennial plant.

In a world hungry for simple high-yield foods, the nopal would seem to be a winner but nopal growers in Milpa Alta throw away 100 tonnes a day for lack of a market. According to Dr Facundo Barriento, a specialist in the plant at the



An excellent source of fibre, it is also rich in calcium, phosphorous, iron and vitamins

Autonomous University of Chapingo, the world is finally beginning to appreciate the nopal – but unfortunately not for human consumption

"Animals like it too", he says adding that most research being into the cactus classes it as good for feeding cattle in dry zones such as Texas or Australia. Dr. Barriento recalls that at a recent conference on the nopal held at McAllen, Texas, University of Texas agronomists revealed that they were developing a spineless variety. As it is, flaming the plant removes the slim spines. "It is really a shame that outside of Mexico, no one understands how delicious and healthy nopales are," he comments.

People crowding the annual Nopal Festival in Milpa Alta would certainly agree. In early July, nopal growers set up yellow tents, spread long tables with bright plastic cloths, trim the al fresco restaurants with cut-paper decorations and prepare for the thousands who brave twisting roads and the rainy season to eat nopals in every conceivable form.

While dancers resplendent in traditional Mexican costumes entertain, diners order plate after plate of nopal salad, nopales with mushrooms and corn, nopales stuffed with local cheese or grilled nopales with steak – each dish as sinfully delicious as it is angelically healthy. For dessert there is nopal ice cream or nopal jelly.

Mr Javier Montes de Oca, spokesman for the Milpa Alta Nopal Growers' Union, shakes his head as he trims the spines off a leaf before sprinkling it with chile powder and lime juice and slapping it on the grill. He reflects sadly: "We thought those Japanese projects were going to help us get started with marketing. Too bad they turned out to be a hoax."

About two years ago, Mexican newspapers were so full of stories about the prospect of massive exports to Japan that some Mexican nationalists began to worry whether there would be any left for the next Nopal Festival. But the stories proved to be totally without substance.

"Not a leaf is going to Japan," insists Mr Carlos Lalanne of the Japanese External Trade Organisation which supervises over all bilateral trade exchanges. "We did try. We brought a camera crew here from a top Japanese women's magazine to photograph ladies from the Japanese-Mexican community cooking with nopales. It just didn't go over. All those stories you hear about nopal tofu (bean curd) are untrue." Asked why anyone would have raised hopes of booming exports to the largest market in the Far East Mr.Lalanne replies with a shrug: "Politics."

Mr Montes de Oca sums up the problem of unwanted surpluses: "Money is the biggest problem we face in marketing. There are some government loans available, but they come with political strings attached. We don't want that. We're not political. So we're trying to raise our own money to get started."

On a table in front of his restaurant booth are jars and bottles of nopal shampoo and skin cream. The money earned from this project goes into the marketing fund.

For producers like Mr Montes de Oca, marketing the nopal has become a matter of survival. Like most of the people of Milpa Alta, he still speaks Nauhuatl, the language of the Aztecs, and says he has an emotional attachment to the plant that makes him refuse to give up farming it.

Unlike many of his neighbours though, he is able to supplement his income by teaching maths in secondary school. He is lucky, because in the nopal business production costs often rise above the selling price.

"A lot of things are missing in marketing the nopal," says Dr Barriento. "We need refrigerated trucks and direct lines to market if we want the leaves to arrive in good condition. We need to expand the market beyond Mexicans and Mexican-Americans in the US. You'd think with the health craze there, it would be easy."

A company in the state of Hidalgo has begun exporting nopal creams and extracts to health-conscious Scandinavia and work has begun on developing a nopal drink for diabetics. "Perhaps exporting extracts is more practical," he muses.

Spoilage is the major obstacle. Mr Moises Sanchez Limon of Milpa Alta district council confirms that sales to Japan did begin, but failed because so many nopales perished in shipment. He believes: "We should concentrate on expanding the market right here at home. We must change the image of the nopal as food for the poor."

But for many Mexicans, the nopal carries a kind of historical and emotional clout that few other foods in the world can claim. Ms Concepcion Robles Romero, a grower, looks sadly over her grove where heaps of nopal leaves lie piled on the ground, ready to be thrown away.

She says: "I would never give this up. The nopal is such a beautiful thing. It is both prickly and sweet – like us Mexicans."

Iceland's 10% fishing quota cut

By Robert Taylor in Stockholm

THE ICELANDIC government decided yesterday to cut the country's fishing quota for the 12-month period beginning in September as a way of preserving dwindling stocks within the country's 200-mile economic zone.

The move threatens to make it even more difficult to resolve the current deadlock over fish in negotiations between the European Community and the European Free Trade Association over the creation of a 19-nation European Economic Area.

Further talks were postponed earlier this week until September after long hours of negotiation failed to produce a breakthrough in Brussels. Both Iceland and Norway are demanding free access for their fish and fish products in the EC but in return some EC countries want to secure access to Icelandic and Norwegian fishing grounds from which they are excluded at the moment.

Yesterday's decision by the Icelandic government will come as a blow to Iceland's fishing fleet and make it even more unlikely that a compromise linking access and quotas will be possible in the autumn.

Iceland's annual catch this year will be cut by 10 per cent. The biggest reduction will be for cod from the current quota figure of 320,000 tonnes to 265,000 tonnes.

It is estimated that it will mean a loss of about IKr825m (£8m) in export revenue, a severe setback for an economy dependent for nearly 80 per cent of its gross national product on fishing.

Yesterday's decision by the Icelandic government is expected to increase the pressure for further structural change in the fishing and fish processing industries with a rationalisation of the companies through mergers and amalgamations as well as greater efficiencies.

Record cotton production projected for 1992

WORLD COTTON output is expected to rise to a record 93.7m bales (480 lb each) in 1992 compared with a forecast 91.5m bales this year, according to the International Cotton Advisory Committee, reports Reuters from Washington.

World consumption was likely to rise, meanwhile, but at a slower rate, resulting in a build-up of stocks, the committee said. It forecast world consumption at 90.3m bales in 1992, compared with 87.8m bales this year.

The ICAC said the continuing excess of production over consumption was putting additional pressure on prices. Expected increases in output were being driven by attractive prices relative to competing crops in key producing countries, it said.

Additional increases in the area planted to cotton were not forecast for 1992 because the increase in production this season might reduce the incentive to switch from grain to cotton.

Cool temperatures, rain and flooding were known to have affected some cotton producing areas in China this year.

Average yields would result in production of nearly 23m bales, the committee said.

Eskay Creek claims disputes settlement

By Robert Gibbens in Montreal

A BIG obstacle to development of the rich Eskay Creek gold deposit in north-west British Columbia has been removed.

International Corona, which controls the ore body, and several small exploration companies have agreed to settle disputes arising from overlapping claims and to drop litigation.

Corona will issue 300,000 of its own shares to Tagish Resources and the Dupras exploration group, the main contestants. Settlement of the claims disputes allows the provincial government to issue a mining licence for Eskay Creek. Corona is the operator and the minority owner is Placer Dome.

The property is estimated to contain at least C$1bn (US $850m) worth of gold and non-ferrous metals.

Production may not start until 1994-95, however.

Development work has shown that the ore is complex and may be more difficult to treat than expected. Completion of the access road is also behind schedule.

● Minnova, a Noranda subsidiary, and its partner Rea Gold are going underground at their Samatosum mine in southern British Columbia.

Underground reserves contain at least 2.4m ounces of silver and 3,400 ounces of gold.

WORLD COMMODITIES PRICES

MARKET REPORT

PRECIOUS METALS prices regained some of Tuesday's falls yesterday, led by platinum, which rose $5.15 to $363.25 a troy ounce on short-covering at the afternoon fixing. But the gold price was up only 35 cents at $363 an ounce at the close. "There is a mixture of bulls and bears," commented one trader. "I expect we'll trade in a $360 to $370 range for a week or so until we see further direction." At the London Futures and Options Exchange reports that West African crops were not looking as good as last year's encouraged the reversal of an early downtrend and the September delivery price ended £7 up at £649 a tonne. Traders noted that the small amounts of cocoa being sold at present by producers appeared to be being well absorbed. Coffee futures were also quite firm in morning, when there was a bout of buying by a UK trade house. But this dried up in the afternoon and the September position closed at £537 a tonne, down £1 on the day. At the London Metal Exchange copper prices edged higher as traders awaited news of last ditch talks between unions and management at Chile's El Teniente mine, the world's second biggest producer. Failing an eleventh hour settlement the miners will go on strike from midnight tonight.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.35-8.45u	+0.15
Brent Blend (dated)	$19.60-9.75	+.175
Brent Blend (Sep)	$19.65-9.70	+0.15
W.T.I. (1 pm est)	$21.60-1.65u	+0.20

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$245-247	+2
Gas Oil	$190-191	+1
Heavy Fuel Oil	$68-70	
Naphtha	$196-198	+2
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$363.0	+0.35
Silver (per troy oz)♣	406.5c	+2
Platinum (per troy oz)	$363.25	+0.25
Palladium (per troy oz)	$86.15	-0.10
Copper (US Producer)	104.5c	
Lead (US Producer)	50c	
Tin (Kuala Lumpur market)	15.46r	
Tin (New York)	264.0c	+1.0
Zinc (US Prime Western)	62c	
Cattle (live weight)†	107.18p	-0.01*
Sheep (dead weight)†	122.62p	+4.55*
Pigs (live weight)†	84.29p	-1.27*
London daily sugar (raw)	$318.0y	+21.4
London daily sugar (white)	$322.5y	+2.5
Tate and Lyle export price	£301.5	+14.0
Barley (English feed)	£118.0t	
Maize (US No. 3 yellow)	£180.5	
Wheat (US Dark Northern)	Unq.	
Rubber (Sep)♥	53.75p	
Rubber (Oct)♥	54.25p	
Rubber (KL RSS No 1 Aug)	227.0m	
Coconut oil (Philippines)§	$465q	-20
Palm Oil (Malaysian)§	$366z	-5
Copra (Philippines)§	$158	
Soyabeans (US)	£158	
Cotton "A" index	79.20c	
Wooltops (64s Super)	382p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct t-Oct/Dec u-Sep x-Jul/Aug y-Aug/Sep z-Aug j-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	250.00	290.00	285.00 250.00
Oct	218.20	211.80	219.00 210.00
Dec	203.00	203.00	203.00 197.60
Mar	194.20	195.00	196.00 193.00
May	198.20	197.60	195.00
Aug	200.00	200.00	195.00
White	**Close**	**Previous**	**High/Low**
Oct	287.0	284.0	290.0 283.5
Dec	278.5	275.0	277.0 275.0
Mar	276.8	274.0	276.2 274.5
May	277.0	275.4	277.0 275.5
Aug	277.0	274.9	276.1 274.7
Oct	261.5	259.9	260.8 259.2

Turnover: Raw 781 (503) lots of 50 tonnes. White 1152 (1060)
Paris- White (FFr per tonne): Oct 1723 Dec 1670 Mar 1677

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Sep	19.69	19.53	19.76 19.60
Oct	19.79	19.61	19.82 19.62
Nov	19.78	19.63	19.84 19.72
Dec	19.84	19.65	19.84 19.72
IPE Index	19.54	19.61	19.54

Turnover 14630 (25539)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Aug	186.75	185.50	187.00 185.75
Sep	187.75	186.25	188.00 186.75
Oct	189.25	188.25	189.75 188.75
Nov	190.75	189.75	191.00 190.25
Dec	191.75	190.75	192.00 190.25
Jan	188.25	187.25	189.25 188.00
Feb	183.00	181.50	183.00
Apr	175.00	173.75	175.00

Turnover 9608 (5946)lots of 100 tonnes

WOOL
PRICES SLIPPED at the first Australian sales of the new wool selling season this week. This was not in line with most forecasts, which stressed the likelihood of covering demand on a scale sufficient to keep prices firm compared with closing rates at the end of June. The market indicator fell 11 cents to 588c on the first day, with finer merinos showing the most marked declines. It now seems that stockpile sales will be negligible, since the assurance was that prices aligned with the end of June would provide a trigger point. Related wool textile trade is quieter and more cautious as a result of easing.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Jul	614	630	614
Sep	649	642	650 630
Dec	683	677	685 666
Mar	718	712	719 702
May	737	733	738 722
Jul	754	749	757 741
Sep	773	768	776 763

Turnover: 4309 (5018) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 30 814.06 (822.42) 10 day average for Jul 31 792.57 (787.20)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jul	520	517	522 515
Sep	537	538	547 538
Nov	559	559	567 559
Jan	579	578	585 578
Mar	594	592	598 592

Turnover: 6172 (3147) lots of 5 tonnes
ICO indicator prices (US cents per pound) for July 30 : Comp. daily 63.27 (63.30). 15 day average 64.03 (64.14)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	101.0	98.5	100.0 98.0
May	115.0		110.0 110.0

Turnover 100 (85) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Oct	130.00		130.00

Turnover 5 (284) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Aug	1478	1501	1490 1475
Oct	1595	1608	1595 1580
Jan	1599	1618	1600 1585
Apr	1610	1385	1610
BFI	1466	1474	1468

Turnover 121 (66)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Sep	111.05		111.15 111.00
Nov	114.30	114.45	114.30 114.15
Jan	117.60	117.80	117.70 117.55
Mar	120.80	121.00	120.85 120.75
May	123.75	124.00	123.75 123.50
Barley	**Close**	**Previous**	**High/Low**
Sep	109.55	109.60	109.55 109.40
Nov	113.26	113.50	113.25 113.20
Jan	116.65		116.70 116.55
Mar	119.25	119.25	119.10
May	120.75	120.90	120.80 120.55

Turnover: Wheat 378 (74), Barley 271 (87). Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	103.0	105.0	103.0

Turnover: 1 (27) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	137.97	137.77			
Sep	139.10	139.00	139.30	139.10	55
Oct	139.40	139.50	139.50	139.40	40
Dec	140.10	140.00	140.10		65

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 23,070 lots
Cash	1271-2	1283-5		1284-5		
3 months	1303-4	1296-7	1304/1295	1296-7	1302-3	109,779 lots
Copper, Grade A (£ per tonne)						Total daily turnover 21,669 lots
Cash	1330-2	1322-4	1329.5	1329-9.5		
3 months	1347.5-8	1341.5-2	1348/1345	1346.5-7	1347-8	128,646 lots
Lead (£ per tonne)						Total daily turnover 3,698 lots
Cash	323-4	322-3	322.75/322	322.75-3		
3 months	335-5.25	334-4.25	335.5/334	334-4.5	335-6	15,555 lots
Nickel ($ per tonne)						Total daily turnover 3,934 lots
Cash	8140-50	8075-85		8090-5		
3 months	8140-50	8100-5	8175/8100	8110-5	8175-85	14,330 lots
Tin ($ per tonne)						Total daily turnover 1,785 lots
Cash	5850-60	5855-65	5845	5845-6		
3 months	5740-50	5745-50	5770/5710	5735-40	5770-5	7,396 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 11,563 lots
Cash	1054-6	1055-7	1055	1055-6		
3 months	1072-3	1072-3	1075/1072.5	1072.5-3	1074-5	28,124 lots

LME Closing £/$ rate:
SPOT: 1.6850 3 months: 1.6649 6 months: 1.6512 9 months: 1.6368

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	362.80-363.20	
Opening	363.10-365.00	
Morning fix	363.60	215.850
Afternoon fix	362.85	215.214
Day's high	364.40-364.80	
Day's low	362.80-363.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.45	6 months	5.38
2 months	5.42	12 months	5.31
3 months	5.40		

Silver fix	p/fine oz	US cts equiv
Spot	241.40	406.75
3 months	248.10	412.80
6 months	254.30	419.10
12 months	266.95	432.85

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	363.00-364.00	215.25-215.75
Maple leaf	371.00-372.00	220.00-220.50
New Sovereign	87.50-88.50	52.00-52.50

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1200	81	131	2	11
1300	21	62	32	42
1400	2	23	112	102
Copper (Grade A)	**Calls**		**Puts**	
2150	119	131	9	52
2250	50	78	40	99
2350	14	42	104	163
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
500	38	63	1	4
550	7	28	20	19
600		10	63	51
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
600	34		10	
625	20	58	21	27
650	11	45	37	38
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
1900	10		11	28
1950			22	52
2000	16	39	18	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	363.6	362.3	364.3	363.0
Sep	365.3	364.2	0	0
Oct	367.2	366.1	367.9	366.0
Dec	370.8	369.6	371.6	369.4
Feb	374.3	373.3	374.5	373.2
Apr	377.7	376.7	377.3	377.0
Jun	381.2	3380.2	380.5	380.5
Aug	384.8	383.8	385.0	385.0
Oct	388.3	387.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Aug	363.0	0	0	0
Oct	367.0	362.9	367.5	363.1
Jan	371.5	367.3	372.0	367.1
Apr	375.5	371.3	375.5	374.0
Jul	379.4	375.2	0	0
Oct	387.4	383.2	0	0
Oct	387.9	387.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	405.5	404.1	405.0	404.0
Sep	407.8	406.5	409.0	405.0
Oct	410.1	408.8	0	0
Dec	415.0	413.4	415.5	412.0
Jan	418.2	414.9	417.0	415.0
Mar	422.2	421.0	423.0	420.0
May	427.3	426.1	0	0
Jul	432.5	431.3	0	0
Sep	437.9	436.8	439.0	438.0
Dec	446.6	445.6	446.5	445.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	101.00	100.10	101.00	100.65
Sep	101.30	100.40	101.40	100.80
Oct	100.80	100.05	100.70	100.70
Nov	100.50	99.75	0	0
Dec	100.25	99.50	100.25	99.80
Jan	99.80	99.05	99.75	98.75
Feb	99.25	98.55	99.25	99.25
Mar	98.80	98.15	98.80	98.40
Apr	98.30	97.65	98.40	98.40
May	97.80	97.15	97.90	97.80

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	21.68	21.42	21.74	21.57
Oct	21.67	21.40	21.68	21.55
Nov	21.57	21.34	21.57	21.46
Dec	21.45	21.28	21.45	21.36
Jan	21.29	21.17	21.33	21.25
Feb	21.20	21.06	21.20	21.12
Mar	21.04	20.95	21.05	21.01

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	6070	5981	6070	6005
Oct	6150	6084	6150	6110
Nov	6250	6188	6250	6215
Dec	6355	6283	6355	6310
Jan	6340	6305	6360	6330
Mar	5970	5915	5970	5940
May	5540	5530	5545	5545

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1036	1017	1055	1002
Dec	1091	1073	1105	1060
Mar	1133	1118	1145	1106
May	1162	1145	1170	1133
Jul	1193	1173	1185	1161
Sep	1210	1193	1221	1186
Dec	1253	1235	0	0
Mar	1299	1281	0	0
May	1325	1307	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	81.40	82.10	82.40	80.75
Dec	84.80	85.75	85.75	84.30
Mar	87.95	89.00	88.80	87.70
May	90.15	91.25	91.00	90.10
Jul	93.00	94.25	93.25	93.20
Sep	94.90	95.75	0	0
Dec	97.00	97.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.68	9.39	9.73	9.38
Mar	8.76	8.78	8.89	8.73
May	8.75	8.79	8.86	8.73
Jul	8.75	8.80	8.86	8.75
Oct	8.72	8.80	8.85	8.80

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	68.27	70.45	69.90	68.10
Dec	68.70	71.00	69.23	68.49
Mar	70.00	71.75	70.65	69.85
May	70.65	68.75	71.15	70.60
Jul	71.25	68.13	71.95	71.57
Oct	68.75	0	69.00	68.60
Dec	68.05			68.44
68.00				

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	118.35	119.20	118.90	117.75
Nov	117.35	118.20	118.20	117.50
Jan	116.55	117.30	117.50	116.30
Mar	117.15	118.10	118.00	118.00
Jul	118.05	119.05	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

July 31	July 30	mnth ago	yr ago
1724.1	1718.2	1745.4	1795.6

DOW JONES (Base: Dec. 31 1974 = 100)

	July 30	July 29	mnth ago	yr ago
Spot	120.99	121.38	129.39	132.25
Futures	123.70	123.86	125.90	132.90

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	583/0	575/2	589/0	584/2
Sep	590/0	580/0	594/4	571/4
Nov	600/4	591/4	607/0	581/0
Jan	608/2	600/6	617/0	592/0
Mar	618/0	610/4	623/4	603/0
May	626/6	619/0	631/0	610/0
Jul	631/4	623/0	634/0	617/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	21.34	20.78	21.55	20.40
Sep	21.51	21.00	21.90	20.64
Oct	21.62	21.07	21.95	20.82
Dec	22.02	21.53	22.38	21.18
Jan	22.18	21.68	22.50	21.40
Mar	22.45	21.97	22.60	21.65
May	22.60	22.21	22.60	21.95
Jul	22.70	22.56	22.70	22.25

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	184.0	179.1	185.0	177.5
Sep	180.6	178.5	181.0	176.5
Oct	179.5	178.6	180.5	175.5
Dec	180.6	179.7	181.5	176.5
Jan	180.7	179.8	181.8	177.5
Mar	181.5	181.0	182.0	178.5
May	182.0	180.5	182.0	179.5
Jul	182.7	181.5	183.0	180.7

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	258/0	253/4	259/6	250/6
Dec	263/2	258/2	264/4	255/4
Mar	270/2	265/2	271/0	262/4
May	271/6	268/0	273/4	265/6
Jul	274/0	270/2	274/4	268/0
Sep	258/0	257/0	259/0	255/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	294/0	291/6	294/2	288/0
Dec	308/2	306/0	309/0	301/6
Mar	314/2	312/6	314/4	307/4
May	311/4	309/0	311/4	304/0
Jul	305/2	303/4	305/4	300/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	70.40	70.62	70.82	70.37
Oct	73.20	73.10	73.80	72.90
Dec	75.00	75.22	75.27	74.87
Feb	74.77	75.02	74.92	74.60
Apr	75.25	75.55	75.50	75.10
Jun	73.50	73.80	73.70	73.30

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	53.42	53.75	53.70	53.20
Oct	45.25	45.27	45.35	44.92
Dec	45.00	45.05	45.12	44.80
Feb	45.05	45.10	45.15	44.75
Apr	43.20	43.25	43.40	43.10
Jun	47.55	47.55	47.70	47.45
Jul	47.70	47.70	47.72	47.65

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	43.25	43.15	44.10	42.90
Feb	51.07	51.15	51.25	50.35
Mar	50.60	50.85	50.75	50.00
May	51.10	51.30	0	50.80
Jul	52.30	52.20	52.30	51.40
Aug	49.00	47.00	48.00	0

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LONDON STOCK EXCHANGE

Equities lower as support fades away

By Terry Byland, UK Stock Market Editor

ANOTHER unsuccessful attempt by the UK stock market to move above the FT-SE 2,600 mark yesterday appeared to reflect an underlying slackening in investment enthusiasm, according to some dealers. The stock market drew little heart from the reiteration by Mr Norman Lamont, the UK Chancellor of the Exchequer, of his forecast that economic recovery will start before the end of the year, and remained unsettled by Tuesday's bearish report from the Confederation of British Industry.

Wall Street's strength overnight proved insufficient to prop up a London market now wondering if share prices have overrun themselves for the time being. With the water, and some other utility stocks, upset by the warning on dividend policies from Ofwat, the water industry regulator, some sizeable lines of stock came on offer yesterday. Overall, there were clear signs of mid-summer lethargy as the August holiday month loomed.

Account Dealing Dates		
*First Dealings:		
Jul 15	Jul 29	Aug 12
Option Declarations:		
Jul 25	Aug 8	Aug 29
Last Dealings:		
Jul 26	Aug 9	Aug 30
Account Day:		
Aug 5	Aug 19	Sep 9

*New-time dealings may take place from 8.30 am two business days earlier.

Despite Wall Street's overnight gain of 31 points to a close above Dow 3,000, London opened lower. Marketmakers were still short of stock and only too willing to mark prices down in the hope of shaking out a few sellers. However, blue chip equities were soon pulled higher by the FT-SE September future contract which continued to trade at a 30-35 point premium despite the reservations felt in the underlying stock market.

The continued firmness in the Footsie future contract forced the underlying stocks higher and the Footsie took another run at the 2,600 hurdle, adding eight points at best to register 2,603.6. Trading volume was slow, however, and attention focused around a clutch of corporate developments.

The early gain in the Footsie was soon almost entirely reversed and for the remainder of the session, the market moved erratically on the downside. Wall Street's entry to its new session was equally uncertain, with the Dow down 5.59 – but still comfortably above 3,000 – in London hours.

At the close, the FT-SE Index was down 6.8 at 2,588.8. Traders expressed some surprise that London was at present gaining so little benefit from Wall Street's return to the Dow 3,000 plus area. Analysts in London pointed to underlying fears that German interest rates could be forced higher when the Bundesbank meets again in the middle of August.

Seaq volume, taking in both retail and intra-market business, totalled 486.6m shares, against Tuesday's 505.4m. Retail business on Tuesday reached £1bn, confirming a return to more profitable levels of trading from the point of view of London-based securities firms.

Among the corporate features, shares in Abbey National traded actively, finally closing easier despite the announcement of increased profits for the first half year. SmithKline Beecham improved at first on the quarterly result, but later ran into selling from across the Atlantic.

Except for Abbey National, the financial sector remained very firm as the trading figures from the clearing banks were absorbed by the market. Store shares, which have spearheaded the market's response to hopes of an early end to the economic recession, also held on to recent gains. But the building sector remained depressed by this week's disturbing news from Barratt Developments.

Ladbroke out of favour

A SOMEWHAT idle stock market turned its attention to Ladbroke, which underperformed yesterday as the appointment of a new broker less than one month ahead of figures triggered talk that there might be a rights issue. Sentiment was also undermined by a broker's report, which said that changes in UK accounting standards would take more than £50m from the company's pre-tax profits, spread over five years.

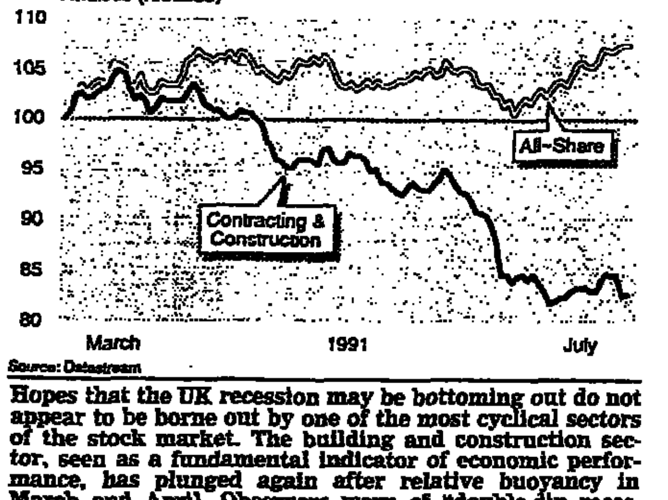
The company's new joint broker is Smith New Court, known for its expertise in placing shares. Although Ladbroke's interims are due on August 29, most traders dismissed the rights issue talk.

Goldman Sachs published an assessment of last Thursday's announcement from the Accounting Standards Board on the treatment of convertible bonds with put options whose issuers have not made provisions for "supplemental interest". Ladbroke has a subordinated 5¾ per cent euroconvertible bond with a put option. From 1994, holders may have the right to reclaim the £150m they lent to Ladbroke plus supplemental interest amounting to £53.6m.

The company may never have to pay – bond holders can choose to convert to Ladbroke shares – but it faces having to make an appropriate provision in its accounts.

Ladbroke retreated 7 to 270p. Turnover reached 4.5m, with traders saying that a sell order for 400,000 added to the downward pressure on the price.

FT~A Indices (rebased)



Source: Datastream

Hopes that the UK recession may be bottoming out do not appear to be borne out by one of the most cyclical sectors of the stock market. The building and construction sector, seen as a fundamental indicator of economic performance, has plunged again after relative buoyancy in March and April. Observers warn of "double-dip recession" and Mr Angus Phaure of County NatWest says: "I can see no evidence of a turn. In the past few years the economy has been strong because people have been prepared to borrow a lot of money, and that appetite may have been undermined. It is all about confidence."

Abbey busy

Excellent results from Abbey National were taken as the prompt to sell out of a stock that has jumped by nearly 50 per cent over the past year. The shares receded 7 to 296p and turnover of 4.7m was boosted by nearly a million dealt at 297p.

All observers were enthusiastic about the interim figures of £308m, compared with £280m at the same time last year, and a raised dividend. They felt the £58m provision for loans and the increase in mortgage arrears were compensated for by the strong increase in net interest receivable.

However the results were only marginally above the highest expectations and analysts were advising investors to look for stock with more recovery potential. Mr John Wriglesworth of UBS Phillips & Drew said: "We still see Abbey as a long-term buy but there could be an argument for switching into Lloyds, which has a much higher yield – we have been heavy buyers." Lloyds gained 7 to 370p on a turnover of 3.1m.

Utilities fall

Water shares continued to retreat in response to comment on proposals by Ofwat, the industry's regulator, to limit growth in dividend payments. Among the worst performers, Northwest Water lost 8 to 354p and Wessex 13 to 376p.

Fears that Ofwat's efforts might encourage other privatised industry watchdogs to tighten regulatory regimes hit a wide range of stocks. British Telecom declined 4 to 386p, Seeboard 11 to 200p, PowerGen 1½ to 157¼p and the Electricity Package £73 to £2040.

One exception was British Gas, a penny firmer at 271¼p. The shares shrugged off reports that the company had spent $2bn on El Paso, a US pipeline business. Heavy volume, with the company's broker Hoare Govett bidding for stock, sparked suggestions that the buying was for employee share option schemes. Turnover was a brisk 10m shares. The British Gas annual meeting is today.

SmithKline Beecham fell quickly as the market digested its second-quarter figures. Analysts were particularly concerned over the relatively slow growth in pharmaceutical sales.

Sentiment was also hurt by a press report suggesting that SmithKline was looking for a large merger. Analysts close to the company said any such merger would take place in years rather than weeks. The stock ended 20 lower at 795p. Turnover was 4.4m, making it the busiest day's trade since the start of March.

The warning on Monday by Barratt Developments that it may announce losses of £100m continued to preoccupy the sector. Barratt recovered 5 to 43p. Building specialist Mr Angus Phaure of County NatWest said: "When the price falls to 30p, as it did on Monday, you buy. You could never come to the conclusion that Barratt is going bankrupt."

He argued that by slimming down its activity, reducing working capital and cutting out incentives to would-be buyers, the company could lower its borrowings considerably over the next year. However, other observers felt that any recovery was too far in the future to take into account yet.

Trafalgar House, which has a large exposure to housing, was still feeling the shock waves from Barratt and fell 5 to 212p. Tarmac was stable at 221p on good two-way trade but Redland declined 6 to 557p and RMC slipped 8 to 660p.

Lilley rose 4½ to 48½p on news it had entered into talks with two Spanish companies.

Fears that National Westminster could announce a rights issue hung over the stock. The shares failed to benefit from any switching out of Abbey National and closed down 5 at 315p.

There is also concern about the profitability of Midland, but this was counter-balanced by talk of a link with Allied Dunbar, the life assurance and unit trust subsidiary of BAT Industries, and Midland's shares closed 2 up at 214p. BAT dipped 4 to 738p. Barclays, which reports today, firmed a penny to 478p.

Insurance broker Sedgwick shed 6 to 268p following press comment that it may be interested in acquiring a stake in Hudig, a Dutch company.

Food retailers advanced as County NatWest said competition fears at the discount end of the market were overdone. J. Sainsbury firmed 4 to 375p and Kwik Save added 5 at 599p.

Anglo United gained 2 to 38½p as two blocks of around 1m shares were traded at 38p.

A gloomy general meeting combined with a cut in profit expectations depressed British Steel, which eased 2¼ to 118½p on turnover of 9.7m.

Citing falling demand and steel prices, Smith New Court predicted losses of around £250m for the year ending March 1992, against its last estimate of a loss of £50m. Mr Ian Lowe at Smith said: "It is difficult to identify any argument that could give rise to outperformance in the stock in the foreseeable future."

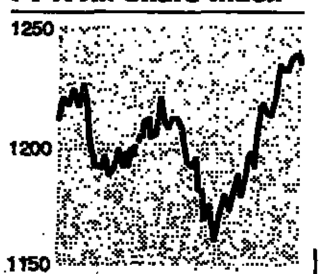
Figures at the top end of expectations lifted T. Cowie 5 to 87p on turnover of 1.7m. The company reported raised interim profits and dividend.

TI gave up a further 8 to 547p in nervous trade ahead of today's interim figures.

MARKET REPORTERS:
Daniel Green,
Peter John,
Joel Kibazo.

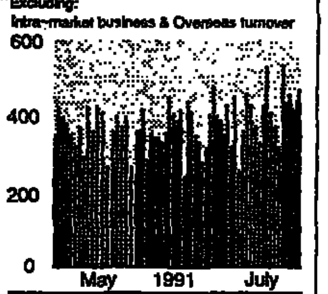
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 17.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (88).
BRITISH FUNDS (3) Treas. 3pc 1992, Fd. 6pc 1993, Treas. 2pc IL 1992, AMERICANS (1) Whirlpool, BANKS (3) ABN Amro, Warburg (SG), Do. 6pc Prf., BREWERS (2) Allied-Lyons, Fosters, CHEMICALS (1) Yorkshire, STORES (4) Dixons (Net) Div Prf., Fine Art Devs., Kingfisher, Smith (WH), ELECTRICALS (6) Ambassador Security, Cable & Wireless, Druck, Electronic Data, Mtrn. Telecom, Renishaw, ENGINEERING (1) Metalrax, FOODS (5) Assoc. Brit. Foods, Iceland Frozen, Northern Foods, Shoprite, Sims, INDUSTRIALS (14) BET, BSS, Courtaulds, De La Rue, Halstead Nycomed A, Do. B, Johnson Cleaners, Kalon, London Intl., Paterson Zochonis, Siebe, Tomkins, Wolseley, Worthington (AJ), INSURANCE (1) Domestic & General, LEISURE (2) Campari Intl., Prism, MOTORS (1) Vardy (Reg), NEWSPAPERS (3) Blenheim, Johnston Press, Metal Bulletin, PAPERS (3) Clondalkin, Smurfit (J), Usher-Walker, PROPERTY (1) Billion (P), TEXTILES (2) Readicut, Victoria Carpet, TRANSPORT (2) CSX, Transport Dev., TRUSTS (11) Alliance Tst., American Tst. B, Fleming Amer. Cnv. 1999, Fleming Japanese, Inv. Tst. of Guernsey, Investors Capital, Keystone Inv., Monks Inv., River & Merc. Amer. Inc., Scottish Inv., TR Technology Stppd. Prf., OILS (1) Pan Pacific, MINES (2) Antofagasta, Aztec.
NEW LOWS (65).
CANADIANS (1) Central Capital A, BUILDINGS (4) Bailey (B), Higgs & Hill, Ward Grp., Ward Hldgs., CHEMICALS (1) Astra, STORES (2) Colorvision, Hampden Homecare, ELECTRICALS (1) Arlen, ENGINEERING (1) Ransomes, FOODS (2) Carr's Milling, Daniels (S), INDUSTRIALS (8) Barrett (H), Ensor, Hadleigh, Lincat, Melville, No-Swift, Photo-Me, Whitecroft, INSURANCE (1) FAI, LEISURE (2) TV-am, Tyne Tees, Yorkshire TV, NEWSPAPERS (1) Sterling Publishing, PAPERS (1) VTR, PROPERTY (4) Embassy, Grainger Tst., London Securities, Trevian, TEXTILES (1) West Tst., TRUSTS (8) Drayton Cons., Drayton Eng. & Intl. Wrrnts., First Spanish Wrrnts., Fulcrum, German Smaller, Govett Amer. Endeavour, Independent Wrrnts., Sumit, OILS (3) AmBrit Intl., Brabant Res., XCL Sunrise, MINES (3) Cluff Wrrnts, Europe Minerals, Plateau.

FINANCIAL TIMES STOCK INDICES

	July 31	July 30	July 29	July 26	July 25	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	84.98	84.78	84.92	84.86	84.74	79.84	85.88 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.04	93.58	94.03	94.04	93.95	88.09	94.84 (5/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	2003.9	2011.8	2011.3	2003.5	1998.2	1852.8	2014.5 (5/4)	1606.3 (16/1)	2014.5 (5/4/91)	49.4 (26/6/40)
Gold Mines	186.0	181.2	187.3	183.8	188.6	187.3	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2588.8	2595.6	2595.0	2589.3	2579.6	2339.0	2595.6 (30/7)	2054.8 (16/1)	2595.6 (30/7/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1171.00	1172.16	1170.50	1167.37	1168.01	-	1192.11 (5/6)	938.62 (16/1)	1192.11 (5/6/91)	938.62 (16/1/91)
●Ord. Div Yield	4.72	4.70	4.71	4.74	4.74	5.04				
●Earning Yld %(full)	8.12	8.07	8.09	8.13	8.14	10.94				
●P/E Ratio(Net)(☆)	15.20	15.31	15.29	15.21	15.19	11.11				
SEAQ Bargns 4.45pm	28,625	31,486	32,474	34,698	29,393	20,621				
Equity Turnover(£m)†	-	1137.88	1530.39	931.79	958.18	847.13				
Equity Bargains†	-	33,137	33,162	35,589	31,000	20,648				
Shares Traded (ml)†	-	477.0	448.2	428.9	454.8	351.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Bass 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 14.53

Ordinary Share Index, Hourly changes — Day's High 2017.5 — Day's Low 2002.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2014.3	2015.6	2010.5	2005.8	2008.0	2008.4	2006.0	2004.1	2004.7

FT-SE 100, Hourly changes — Day's High 2603.6 — Day's Low 2588.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2597.7	2600.6	2596.4	2588.9	2593.8	2594.7	2592.7	2590.9	2590.7

FT-SE Eurotrack 200, Hourly changes — Day's High 1174.01 — Day's Low 1169.71

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1172.35	1172.85	1171.61	1173.26	1172.93	1172.58	1172.28

GILT EDGED ACTIVITY

Indices*	July 30	July 29
Gilt Edged Bargains	77.1	76.2
5 – Day average	78.8	81.9

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ADT	122	523	+5
ASDA Group	3,200	93	+1
Abbey National	4,700	296	-7
Albert Fisher	1,500	116	
Allied-Lyons	1,600	588	+8½
Amstrad	96	50	
Anglian Water	1,200	368	-6
Argos	79	325	+1
Argyll Group	2,200	311	-2
Arjo Wiggins	1,800	286	
Ass. Brit. Foods	337	542	+2
BAA	378	436	-1
BAT Inds.	905	738	-3
BET	4,100	208	+4
BICC	424	455	-5
BOC	884	572	+2
BPB Inds.	400	199	+2
BTR	2,500	417	-7
Bank of Scotland	1,400	117	-1
Barclays	1,000	478	+1
Bass	991	919	+2
Beazer	178	81	-3
Berisford Int.	158	38	
Blue Circle	156	258	
Booker	86	479	-1
Boots	1,900	419	-2
Bowater	10	658	-3
Brit. Aerospace	431	529	-1
British Airways	919	174	+1
British Gas	10,000	271½	+1
British Land	223	296	
BP	4,700	344	-2
British Steel	9,700	118½	-2½
British Telecom	4,200	386	-4
Bunzl	459	91½	-½
Burmah Castrol	531	588	-13
Burton	4,500	34½	+1½
Cable & Wire.	2,000	579	+4
Cadbury	1,300	366	-3
Calor Group	984	226	
Carlton Comms	276	479	+2
Coats Viyella	648	186	
Comm. Union	287	516	+3
Cookson	636	138	-4
Courtaulds	501	441	+2
Dalgety	145	335	+2
De La Rue	127	444	+3
Dixons	1,300	245	
ECC Group	397	451	
Eastern Elec.	887	177	-3½
East Midland Elec.	1,600	130½	-10
Enterprise Oil	577	628	
Eurotunnel Units	153	450	-5
FKI	1,500	54	+1
Ferranti	182	9	+½
Fisons	456	495	-1
Forte	2,200	274	
Gen. Accident	457	541	+2
General Elec.	4,250	184	+½
Glaxo	2,400	1252	+7
Glynwed	658	234	-5
Granada	240	150	
Grand Met.	1,500	785	+3
GUS A	437	1353	+20
GRE	337	182	-1
GKN	857	340	-10
Guinness	1,600	980	-11
Hammerson A	37	508	
Hanson	3,600	211	+½
Hanson Warrants	1,000	34	-½
Harrisons Crosfield	6,500	153	
Hawker Sidd.	754	593	-5
Hillsdown	1,900	223	+3
IMI	1,000	244	-6
ICI	787	1233	
Inchcape	1,600	379	-1
Kingfisher	1,200	545	+8
Ladbroke	4,500	270	-7
Land Securities	1,600	506	-5
Laporte	415	551	-7
Legal & General	261	437	+1
Lloyds Abbey	4,000	416	-11
Lloyds Bank	3,100	370	+7
LASMO	1,100	333	-5
London Elec.	664	194½	-4½
Lonrho	1,600	250	-1
Lucas	547	155	-2
MB Caradon	250	236	-4
MEPC	223	476	-5
Manweb	81	252	-1
Marks & Spencer	5,000	285	+½
Maxwell Comms.	236	200½	+2
Midland Bank	1,500	214	+2
Midlands Elec.	529	230	-6
NFC	2,300	175	
NatWest Bank	3,500	315	-5
National Power	5,400	151½	-2½
Next	4,600	25	
North West Water	2,700	353½	-8½
Northern Elec.	223	230	-10
Northern Foods	1,100	511	-12
Norweb	237	210	-11
Pearson	140	753	-3
P & O	275	538	
Pilkington	342	150	-2
PowerGen	4,900	157¼	-1½
Prudential	1,500	247	-1
RHM	946	275	-1
RMC	315	553	-8
RTZ	2,200	584	-9
Racal	2,300	214	-2
Racal Telecom	809	338	-8
Rank Org.	763	675	-5
Reckitt & Colman	473	670	+2
Redland	771	557	-6
Reed Intl	658	457	
Rentokil	567	[illegible]	-1
Reuters	1,300	775	+8
Rolls Royce	5,700	154	-1
Rothmans	387	1064	-4
Ryl Bk Scotland	2,700	150	+5
Royal Insurance	456	336	+1
Saatchi	3,500	17	-½
Sainsbury	2,200	375	+4
Scottish & New	977	412	+3
Scot. Hydro-Elec.	4,500	116½	+2½
Scottish Power	14,000	103½	+2
Sears	2,100	85	-½
Sedgwick	1,500	268	-6
Seeboard	12	200	-11
Severn Trent Water	3,700	329	-3
Shell Transport	2,700	538	-4
Siebe	2,100	488	-8
Slough Ests	727	263	
Smith (W.H.) A	341	451	-1
Smith & Nephew	1,500	156½	-½
SmKl Beecham	4,400	795	-20
SmKl Beecham Uts.	433	3413	-170
Smiths Inds	2,000	270	+2
Southern Elec.	658	200½	-7
South Wales Elec.	368	238	-7
South West Water	1,000	333	-11
South West Elec.	497	199	-7
Southern Water	1,200	314	-4
Standard Chart.	396	345	+4
Storehouse	1,800	113	
Sun Alliance	586	367	-1
T&N	130	154½	+½
TI Group	427	547	-8
TSB	1,100	144	
Tarmac	5,100	221	
Tate & Lyle	729	330	-3
Taylor Woodrow	185	227	-1
Tesco	3,100	276	+2
Thames Water	3,500	374	-7
Thorn EMI	433	782	-3
Tomkins	1,100	383	+1
Trafalgar House	2,300	212	-5
Ultramar	1,700	278	+2½
Unigate	77	291	-5
Unilever	1,400	756	-4
United Biscuits	621	392	+3
Utd. Newspapers	672	370	+7
Wellcome	291	771	+3
Welsh Water	788	361	-8
Wessex Water	702	367	-14
Whitbread 'A'	720	500	+4
Williams Hldgs	1,000	325	+2
Willis Corroon	190	314	-1
Wimpey	210	172	+4
Yorkshire Elec.	1,000	241	-5
Yorkshire Water	784	376	-15

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

Derivatives markets were featured yesterday by the expiry of the July index options, which tended to provide technical support for a while for a stock market lacking conviction, writes our markets staff.

After the expiry had been completed, effectively at 11.20am, share prices began to turn down. The option expired close to 2,600.

In the futures market the September contract on the FT-SE Index continued to trade at a comfortable premium of 36 points at best, providing further support for an underlying market, which appeared to be less confident than in recent sessions.

Traders warned that market-making firms were still short of stock and thus inclined to play the futures market against the underlying equities where possible; but there are still clearly some investors willing to take a positive view in the stock futures market.

In traded options, volume fell away to only 19,174 contracts, against 23,072 in the previous session. Midland Bank topped the actives list with 900 contracts. The Euro FT-SE contract was also busy yesterday, trading 877 contracts, but Abbey National, which disclosed good results, saw only 740 option trades.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
100	99	Exch. 11pc 1991	100	.....	11.00	10.62
99	96	Treas 8pc 1991	99	.....	8.07	10.29
101½	100	Treas 12¾pc 1992‡‡	100	–	12.63	10.47
99	97	Treas 10pc 1992	99xd	.....	10.03	10.46
98	95	Treas 8pc 1992 ‡‡	98	.....	8.13	10.30
100	98½	Treas 10½pc Cv 1992‡‡	100	.....	10.50	10.37
95	91	Treas. 3pc 1992	95⅝	+	3.14	8.30
102	100	Exch 12¼pc '92	101xd	.....	12.01	10.25
104	102	Exch 13½pc 1992	103	.....	13.07	10.27
97	94	Treas 8¼pc 1993	97¼xd	.....	8.48	10.16
99	97	Treas 10pc 1993‡‡	99¾	+	10.04	10.21
104	102	Treas 12½pc 1993‡‡	103	–	12.03	10.20
93	89⅝	Funding 6pc 1993‡‡	93⅝	+	6.41	9.33
108	105	Treas 13¾pc 1993‡‡	106	.....	12.86	10.24
96	92	Treas. 8½pc 1994	96xd	+	8.83	10.16
111	108	Treas 14½pc 1994‡‡	109xd	.....	13.23	10.19
109	105	Exch 13½pc 1994	107	.....	12.55	10.23
99	96	Treas. 10pc Ln. 1994‡‡	99½	.....	10.05	10.18
106	103	Exch. 12¼pc 1994	105xd	–	11.82	10.25
96¾	93¼	Treas 9pc 1994‡‡	96	.....	9.32	10.21
106	102	Treas 12pc 1995	104	.....	11.43	10.24
89	82¼	Exch 3pc Gas 90-95	86¼	.....	3.48	7.30
100	96	Exch. 10¼pc 1995	100	.....	10.25	10.24
109	105¾	Treas 12¾pc 1995‡‡	108	–	11.77	10.25
113	109	Treas. 14pc '96	112	.....	12.48	10.50
96	92	Treas. 9pc 1992-96‡‡	96	+	9.32	9.93
119	115	Treas 15¼pc 1996‡‡	117	.....	12.99	10.48
112¼	108	Exch 13¼pc 1996‡‡	110⅝	.....	12.00	10.42
		Five to Fifteen Years				
100	95	Conversion 10pc 1996	99	.....	10.10	10.21
99	97¼	Do. 10pc 1996 B	99	.....	10.11	10.26
113	108	Treas 13¼pc 1997‡‡	111	+	11.89	10.44
102	97¼	Exch 10½pc 1997	100xd	.....	10.41	10.27
94	89	Treas 8¾pc 1997‡‡	93xd	.....	9.35	10.18
122	117	Exch 15pc 1997	119	.....	12.51	10.53
98	93	Exch. 9¾pc 1998	97	+	9.98	10.23
85	80¾	Treas 6¾pc 1995-98‡‡	85	+	7.88	9.68
127	121¼	Treas. 15½pc '98‡‡	125¼	+	12.39	10.41
109	104¾	Exch. 12pc 1998	108¼	+	15.69	10.32
97	92	Treas 9½pc 1999‡‡	96	+	9.80	10.09
111	105	Exch. 12¼pc 1999	109	+	11.16	10.35
102¾	97¾	Treas 10½pc 1999	101	+	10.36	10.24
101¼	95	Conversion 10¼pc 1999	99	+	10.26	10.24
94	89¼	Conversion 9pc 2000‡‡	93xd	+	9.58	10.06
116	110½	Treas 13pc 2000	114	+	11.32	10.40
100¼	94	Treas 10pc 2001	99xd	+	10.09	10.14
118	113	Treas. 14pc '98-01	116⅝	+	12.00	10.50
98¾	92	Treas 9¾pc 2002	97xd	+	10.02	10.15
100	94	Treas 10pc 2003	98	+	10.10	10.13

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
108¼	102	Treas. 11½pc 2001-04	106	+	10.78	10.37
58	53	Funding 3½pc '99-04	58	+	5.97	8.96
97	90	Conversion 9½pc 2004	95	+	9.94	10.09
97¼	90	Conversion 9½pc 2005	95	+	12.54	10.08
118¼	111	Treas. 12½pc 2003-05	115	+	10.80	10.20
		Over Fifteen Years				
85	79	Treas. 8pc 2002-06‡‡	83	+	9.53	10.07
112½	105	Treas. 11¾pc 2003-07	110½	+	10.63	10.16
90	84	Treas 8½pc 2007 ‡‡	88	+	9.62	9.96
125¾	118	Treas. 13½pc '04-08	123	+	10.95	10.16
94	88	Treas. 9pc 2008 ‡‡	92	+	9.75	9.92
94	89	Do 9pc 2008 C	92	+	9.71	9.92
85	80	Treas 8pc 2009	83	+	9.55	9.91
94	88	Conv 9pc Ln 2011 ‡‡	92	+	9.78	9.91
29	29	Cnv 9pc 2011 A●	29	+	9.75	9.74
63	58	Treas 5½pc 2008-12‡‡	61	+	8.90	9.81
82¼	76	Treas 7¾pc 2012-15‡‡	80	+	9.64	9.90
121	113	Exch. 12pc '13-'17	118	+	10.16	9.94
		Undated				
40	37	Consols 4pc	39xd	+	10.15	–
35	33	War Loan 3½pc‡‡	35	+	9.97	–
59	57¼	Conv. 3½pc '61 Aft.	58¾	+	5.96	–
29	28¼	Treas. 3pc '66 Aft.	29	+	10.23	–
25	23⅝	Consols 2½pc	24	+	10.05	–
25	23	Treas. 2½pc	24	+	10.17	–

Index–Linked

1991 High	1991 Low	Stock	(b)	Price £	+ or –	(1)	(2)
131	125	Tr. 2pc '92‡‡	(97.8)	131	+	0.25	4.35
118	115	Do. 2 '94	(102.9)	118	–	3.67	4.61
172	168	Do. 2pc '96	(67.9)	171¼	–	3.86	4.39
142	137	Do 2½pc '01	(78.3)	141	–	4.08	4.39
138	133	Do. 2½pc '03	(78.8)	136	–	4.15	4.42
140¼	135	Do. 2pc '06	(69.5)	138¼	–	4.22	4.43
128	124	Do. 2½pc '09	(78.8)	126½	–	4.29	4.43
132	128	Do 2½pc '11	(74.6)	130½xd	–	4.24	4.42
109	105	Do. 2½pc '13	(89.2)	107xd	–	4.24	4.40
117	113	Do. 2½pc '16	(81.6)	114	–	4.21	4.37
113	109	Do 2½pc '20	(83.0)	110	–	4.18	4.32
95	91	Do. 2½pc '24‡‡	(97.7)	92	–	4.13	4.26

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1990: 130.0 and for June 1991: 134.1

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
102	95	African Dev Bk 11¼ Ln 2010	101	–	10.92	10.88
97	91	Asian Dev Bk 10¼pc Ln 2009	96	–	10.57	10.63
112	105	Int-Am Dev Bk 12½pc 2003	111	–	11.25	10.77
92	86	Do 9¼pc Ln 2015	91	–	10.66	10.74
122	101	Mexican States 16½pc 2008	122	.....	13.52	13.47

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
103½	100½	Birmingham 11½pc 2012	101½	...	11.33	11.30
97½	93½	GLC 6¼pc 1990-92	97½	...	6.92	11.05
115½	110½	Leeds 13½pc 2006	114½	...	11.79	11.40
30	28	Liverpool 3½pc Irred	30	...	11.67	–
27	26	LCC 3pc '20 Aft.	26	...	11.54	–
103½	97½	Manchester 11½pc 2007	101½	...	11.33	11.30

COMMONWEALTH & AFRICAN LOANS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
90	84½	Sth Rhod. 87-92 Assd.	90	...	–	–

LOANS

Building Societies

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
104½	102	N'wide Anglia 3¾pc IL 2021	103¼	.....	–	5.52
107	104	Do 4.25pcIL '24	104¼	.....	–	5.17

Public Board and Ind.

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
53	52	Met. Wtr. 3pc 'B'	52	...	5.77	9.70

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
50	50	Greek 7pc Ass	50	...	3.50	17.00
50	50	Do 6pc 28 Stb Ass	50	...	3	16.00
50	50	Do 4pc Mixed Ass	50	...	2	14.00
55	55	Hung. '24 Ass	55	...	2.75	13.57
128	120	Hydro Quebec 15pc 2011	126	–	12.89	11.56

Continued on next page

APPOINTMENTS

Finance director of BUPA

■ BRITISH UNITED PROVIDENT ASSOCIATION (BUPA) has appointed Mr Edward Lea as group finance director from August 19. In 1988 he started the Redbourn Group as executive chairman, and prior to that was joint managing director, ASDA Stores, and finance director, ASDA Group.

■ Mr J Michael Guerin will be joining the board of NORTHUMBRIAN WATER GROUP, Newcastle upon Tyne, as an executive director on October 1. Since March he has been managing director of the group's enterprise activities and will continue in that post. Following the appointment of Mr David J. Watson as operations director of Northumbrian Water, Mr Simon Armes-Reardon has become acting group financial controller. Mr Tony Foster, formerly operations director at Northumbrian Water, becomes planning director of the group. Mr Alan Jones, who was corporate finance and planning director for the group, has been appointed finance director for Northumbrian Water. Mr Alan Girvin has been appointed Northumbrian Water engineering director. Mr John Redpath becomes managing director from October 1 of CPCR, human resource company of the group. Mr Jon Hargreaves, business development manager, becomes managing director of the group's operating and consultancy company on September 1. He will be succeeded by Mr David Tagg, Tees area manager.

■ BROWN & TAWSE, largest trading company in the Brown & Tawse Group, has appointed Mr David G. Parkes *(pictured)* as deputy managing director. He will continue as marketing director with specific responsibility for P.J. Holloway Sales. Mr Alan J. Brett becomes sales director, southern division.

■ 3i GROUP has appointed Mr Alan Wheatley as a non-executive director. He is senior London partner of Price Waterhouse, a non-executive director of British Steel, and a member of the Industrial Development Advisory Board. Mr L.V.D. Tindale, deputy chairman, and Sir Donald Barron, a non-executive director, retire from the board.

■ THE FEDERATION OF CIVIL ENGINEERING CONTRACTORS has appointed Mr John Hackett as director general. He is director general of the British Insurance and Investment Brokers' Association, and will join the Federation in November prior to taking over from Mr Ron Emery who retires at the end of the year.

■ PERFORMANCE TECHNOLOGY, San Antonio, Texas, has appointed Mr John Stratford as director of European sales for its networking and storage software.

■ Mr David Rotchell has been appointed marketing director of the BARBICAN CENTRE. He was marketing director of Expandite, a Burmah Castrol subsidiary, and replaces Mr Christopher Senior who has joined Forte Hotels.

■ Mr John Barber has been promoted from general manager to managing director of ROYAL REINSURANCE COMPANY. Mr Alf Hill, assistant general manager of Royal Re, is promoted to assistant managing director.

■ DATA GENERAL has made the following appointments: Mr Jeremy Cook, sales director for direct sales - he joins from Concurrent Computer Corporation; Mr John Crooks is promoted to sales director for indirect sales - he was sales manager, southern region; and Mr David Smyth, finance director for the UK and Ireland - he moves from Data General, Westboro, Massachusetts, where he was controller for manufacturing services.

■ WALON, Yeovil, has promoted Mr John Merry from deputy to managing director of the vehicle preparation and distribution group.

■ Mr David Rogerson has been appointed head of the new TELFORD DEVELOPMENT AGENCY. He was with Wrekin Council.

Mr Michael Bentley *(pictured)* has been appointed to the board of CAMPBELL LUTYENS HUDSON & CO. He was chief executive of Electra Investment Trust.

LONDON SHARE SERVICE

AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
33¼	20⅞	Abbott Laboratories	31¼	–⅛	$1.00	–	1.9
385p	257p	Allegheny & W 1c	289p	–7	30c	–	6.1
10¼	667p	Amdahl 5c	853p	+16	10c	–	0.7
42⅛	25¼	Amer. Cyanamid $5	39	+1¼	$1.50	–	2.3
17¾	9⅜	Amer. Express 60c	15¼	–¼	92c	–	3.6
24½	15¼	American T. & T. $1	23⅝	....	$1.32	–	3.3
38¾	32½	Ameritech $1	36	+⅛	$3.40	–	5.6
24	12⅜	BankAmerica $1⅜	20⅝	+⅜	$1.20	–	3.5
34⅞	20⅞	Bankers N.Y. $1	34¼	+⅞	$1.52	–	8.4
30½	24¼	Bell Atlantic $1	28¼	....	$2.52	–	5.2
31¼	25	BellSouth Corp	28¼	–¼	$2.76	–	5.7
11¼	6⅞	Bethlehem Steel $8	9⅞	+⅛	40c	–	2.4
1839p	1046p	Bowater Inc.	1505p	+1	$1.20	–	4.7
9½	4½	Brunswick 75c	8⅞	+⅛	44c	–	2.9
54	37⅞	CPC Intnl. 25c	51	+⅛	$2.00	–	2.3
852p	420p	California Engy	787p	+1	–	–	–
50	28¼	Campbell Soup 15c	47½	+1⅜	$1.16	–	1.5
12⅛	5⅞	Chase Manhattan $12½	11⅛	+⅜	$1.20	–	6.2
9⅞	5⅝	Chrysler $6¼	8⅞	+⅛	60c	–	4.3
10⅛	5⅞	Citicorp $1	8⅞	–⅛	$1.00	–	6.9
25	21⅞	Colgate-Palmolive $1	23⅞	+⅞	$1.06	–	2.7
845p	438p	Cont'l Bank Corp $4	801p	+8	$1.00	–	7.4
21⅝	13⅞	Dana Corp. $1	19⅞	–⅜	$1.60	–	4.9
1106p	203p	Data General	1023p	–6	–	–	–
22½	12¾	Dial Crop. $1.5	21⅝	–⅛	$1.40	–	3.8
29⅝	20¼	Dun & Bradstreet $1	27½	+⅝	$2.16	–	4.7
40	24¼	Eaton Corpn. 50c	39	....	$2.20	–	–
8½	5½	Echlin Inc.	8¼	....	70c	–	5.0

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

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LEISURE

1991 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
557	155	Airtours 10p	546	−3	18.25	2.9	2.0	17.1
108	71½	Allied Leis 5p	93	....	F4.75	3.5	6.8	6.5
246	140	Anglia TV	175	−1	9.26	2.4	7.1	8.0
31	14	Avesco 1p	28	....	1.5	1.1	7.4	16.7
9	4½	BCE Hldgs 5p	6	....	–	–	–	–
178	123	Barr & W.A.T. 'A'	154		9.75	1.6	8.4	10.0
685	425	Boosey & Hawkes	659	+5	16.4	2.7	3.3	13.1
43	24	Border T.V.	43	....	2.1	1.1	6.5	19.3
88	17	Brent Walker 10p	20½	−1	5.0	–	–	–
28	4	Do 6pc Cv Cm Rd Pf £1	7	....	6.0	–	–	–
55	43	Buckingham Int'l 10p	44	....	2.1	1.8	6.4	10.3
350	183	Campari Int. 20p	350xd	+5	†11.0	2.9	4.2	9.6
205	134	Capital Radio 2½p	172	+3	5.25	2.9	4.1	11.3
507	350	Carlton Cmms 5p	479	+2	†14.1	2.4	3.9	13.4
81	61	Do. 6.5p Prf 5p	76	....	6.5	–	11.4	–
253	168	Castle Comms. 5p	218	....	8.5	1.7	5.2	14.6
825	480	Central ITV	795	....	28.5	1.4	4.8	19.5
158	120	Chiltern Radio 10p	148	....	14.8	2.6	4.3	11.4
89	39	Chrysalis	76	....	§2.0	–	–	–
69	27	Cityvision 5p	33	−1	1.0	7.0	4.1	4.3
6	3	Classic TV Prods Ir£0.20	3	....	–	–	–	–
1275	908	Euro Disney Fr10	1258	−12	–	–	–	–
30	5	European Leis. 1/25p	14½	−½	1.7	2.2	15.6	2.4
44	21½	Ex Lands 10p	31	....	–	–	–	–
47	17	Expedier 20p	17	....	1.0	2.7	8.1	4.5
563	405	Fairline Boats 10p	468	−2	21.0	4.1	6.0	5.4
276	188	First Leisure	267	−3	†5.05	2.6	2.5	18.3
253	195	GWR Group 20p	242	....	§6.0	3.2	‡	12.6
75	59	Grampian TVA 10p	62	−1	4.1	♦	8.8	♦
8	5	Greenwich Comm. 1p	5	....	–	–	–	–
65	33	HTV Ord.	39	−1	3.75	1.2	12.8	9.0
145	55	Hi-Tec Sports	137	....	5.0	2.9	4.9	9.3
4½	2	Int'l Media Coms. 1p	2	....	–	–	–	–
64	30	Intl. Resort Hldgs	57	....	§3.2	2.5	‡	4.9
78	49	Javelin Sound 10p	78	....	1.0	4.2	1.7	24.5
47	29½	Kenick 10p	29½	....	2.0	2.2	9.0	7.1
88	53	Do. 8¼pc Pf. 5p	73	....	8.25	–	15.1	–
110	80	LWT Hldgs 13.925p Prf 5p	107	....	13.94	–	4.9	–

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRANSPORT—Contd

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

FINANCE, LAND, ETC

[illegible]

WATER

1991 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
383	331	Anglian £1	366	−6	17.5	2.2	6.4	(8.0)
170	135	East Surrey 10p	170	....	8.0	2.7	6.3	(6.4)
178	155	Mid Kent Hldgs £1	173	....	a8.0	2.8	6.2	6.6
387	322	North West £1	353½	−8½	18.0	q2.5	6.8	(6.5)
406	327	Northumbrian £1	367	−11	18.6	q2.9	6.8	5.6
370	300	Severn Trent £1	329	−3	17.55	3.0	7.1	5.2

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES—Contd

1991 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
4	2½	Crocus Mining N.L.	3½	....	–	–	–
49	17	Delta Gold 25c	47	−1	–	–	–
42	28	Dominion Mining	36	−1	†Q4c	7.8	5.3
17	11	Doral Resources	15	....	Q1c	–	3.1
4½	1½	Dragon Mining	4½	−¼	–	–	–
32	20	Emperor Mines	26	−1	–	–	–
5½	3	Forsayth NL	4½	....	–	–	–
35½	19½	GM Kalgoorlie 5c	30½	−1			

[illegible]

1991 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
£6¼	£3⅝	Hemlo Gold Mines	£6¼	....	Q20c	–	1.6
£11⅜	£7¾	Homestake Mining $1	£10⅛	....	Q20c	–	1.2
61	30	Ivernia West	53	+1	–	–	–
46	36	Kells Mins. Ir5p	36	....	–	–	–
25	9	Kenmare	13	....	–	–	–
18	15	Navan Resources	16	....	–	–	–
99	52	Northgate Expl. C$1	72	....	–	–	–
16	6	North West Exp.	7	....	–	–	–
109	25	Nor-Quest Res.	103	....	–	–	–
188	82	Oryx Gold Hldgs	167	....	–	–	–
23	11	Ovoca Gold IR 2p	13	....	–	–	–
44	21	Plateau Mining 20p	21	−2	–	–	–
598	404	RTZ 10p	584	−9	19.5	2.2	4.5
11	3¼	Thorco Res. Inc.	10¼	+¼	–	–	–
10	5	Vizcaya Hldgs 5p	5	....	–	–	–
133	120	Young Group 10p	123	....	5.2	1.7	5.6

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 β	640	....
Finlay Pkg. 5p β	28	....
Holt (Jos) 25p β	1978	....
Helton Hldgs γ	35	+3
IRG	128½	....
United Drug	165	−7

IRISH

Cap. 8½% Ln. 2010	£92¼	....
9pc Cap Ln. 1996	£97¼	−¼
Fin. 13% 97/02	£112¼	....
Arnotts	172	....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp	31
BTR	35
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit Telecom	29
Cadburys	33
Charter Cons.	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property

Brit Land	30
Control Secs	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Aviva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	30

Mines

Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

INSURANCES

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Albany Life Assurance Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Man Fd Accu)	423.9	446.1	+1.5	-
Japan Fd	271.1	285.3	+0.5	-
Do Smllr Co's Fd Accu)	93.6	98.5	-0.2	-
Europlus Metro	132.4	139.3	-0.2	-
Global Metro	105.5	111.0	+0.9	-
Sunrise Metro	125.7	132.3	+0.6	-
UK Metro	118.4	124.6	-0.1	-
Nth American Fd Accu)	236.4	248.8	+2.4	-
Pac Basin Fd Accu)	155.6	163.7	+0.1	-
Prop Fd Accu)	333.1	350.6		-
Millennium	112.2	118.1	+0.6	-
Multiple Inv Accu)	782.2	823.4	+2.7	-
Pension Funds				
Brit Blue Chip Accu)	199.1	209.6	-0.3	-
Eq Pen Fd Accu)	2401.6	2527.9	+17.6	-
Euro Fd Accu)	324.2	341.2	+0.2	-
Intl Fixed Int Acc	424.0	446.3		-
Fixed Int. Acc.u)	870.4	916.1	-0.1	-
Gt Money Pn Accu)	559.0	588.3	+0.1	-
High Interest	197.5	207.9	+0.1	-
High Income Fd Accu)	145.6	153.2	-0.6	-
Intl Man Fd(u)	633.5	666.8	+3.2	-
Jap Pen Fd Accu)	369.5	388.9	+0.6	-
UK Smllr Co's Fd Accu)	99.1	104.3	-0.2	-
Europlus Metro	144.8	152.3	-0.3	-
Global Metro	109.9	115.6	+0.9	-
Sunrise Metro	135.5	142.6	+0.6	-
UK Metro	125.7	132.3	-0.1	-
N Am Pn Fd Accu)	286.6	301.7	+3.8	-
Pac Basin Fd Accu)	180.3	189.7	+0.1	-
Property(u)	584.3	615.0	+0.2	-
Mrple Inv Pen Accu)	1612.5	1697.4	+7.3	-
Broker Funds				
YRA Strategy	138.4	145.6	+0.1	-
YRA Performance	124.7	131.2	+0.1	-
Laughton Dollar (SO)	113.1	119.0	+0.4	-

Allied Dunbar Assurance Plc

Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Fixed Int. Dep Acc.	317.8	334.6	+0.1	-
Equity Acc	1030.5	1084.8	+3.3	-
Property Acc.	505.2	531.8		-
Far East Acc.	213.9	225.2	+2.5	-
European Acc	25.6	27.0	+0.1	-
Managed Cap	431.9	454.7	+2.4	-
Managed Acc.	804.0	846.4	+2.8	-
O'seas Earnings Acc	714.5	752.2	+0.7	-
Gilt Edged Acc.	359.4	378.4	+2.0	-
American Equity Acc.	559.7	589.2	+5.6	-
American Man Acc.	250.7	263.9	+3.4	-
American Prop Acc.	130.9	137.8	+2.3	-

Century Life Plc

2 Eyre Street Hill London EC1R 5AE 071-278 4408

City Of Edinburgh Life Assurance

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Far East Emerg Econ	40.1	42.2	+0.1	-
Fund of Inv Tsts	60.2	63.3	+0.1	-
Money	152.3	159.9	+0.1	-
Special Situations	95.2	100.2	+0.2	-
UK Growth	128.3	134.7	+0.4	-
World Growth	116.4	122.2	+0.5	-
Pension Funds				
Fund of Inv Tsts	134.9	141.6	-0.2	-
Special Situations	126.0	132.3	-0.3	-
UK Growth	214.2	224.9	-0.6	-
World Growth	141.4	152.6	+0.6	-
UK Life Assurance				
Managed	104.7	110.2		-
Property	128.3	135.0	+0.1	-
Equity	134.7	141.8	-0.1	-
International	89.9	94.7	+0.3	-
Fixed Interest	116.4	122.5	-0.2	-
Deposit	136.1	143.3		-
Langham 'A' Plan	112.3	118.2		-
Langham Prop Bond	617.3	649.7		-
Langham Wsp Managed	170.8	179.7		-
Pension Funds				
Managed Capital	80.4	84.7	+0.1	-
Managed Accum	132.9	139.9	+0.2	-
Property Capital	103.1	108.5	+0.2	-
Property Accum	170.0	178.9	+0.9	-
Equity Capital	106.6	112.3	-0.2	-
Equity Accum	176.2	185.4	+0.4	-
Intl Capital	65.2	68.6	+0.3	-
Intl Accum	107.6	113.2	+0.4	-
Fxd Int Capital	93.6	98.7	-0.2	-
Fxd Int Accum	154.8	162.9	+0.4	-
Deposit Capital	121.2	127.6	+0.2	-
Deposit Accum	200.2	210.7	+1.9	-
Langham Harvest	229.0	241.6		-

Citibank Life

Perrymount Road, Haywards Heath 0444 414111

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ser 1	272.0	286.3		-
Equity Ser 1	401.7	422.8		-
Smaller Co's Ser 1	210.4	221.4		-
Recovery Ser 1	115.4	121.4		-
Property Ser 1	213.1	224.3		-
International Ser 1	299.3	315.1		-
European Ser 1	111.6	117.5		-
American Ser 1	155.1	163.3		-
Managed Ser 2	269.4	283.6		-
Equity Ser 2	392.9	413.9		-

Gresham Unit Assurance Ltd

2-6 Prince of Wales Rd, Bournemouth 0202 752300

	Bid Price	Offer Price	+ or -	Yield Gross
Gresham Series III				
Managed Life III	554.9	584.7	+2.9	-
Managed Pension III	119.5	125.9		-
Gresham Series II				
Managed Life II	549.5	579.0	+1.8	-
Managed Pension II	659.2	694.6		-

Growth & Sec. Life Assce. Soc. Ltd

Weir Bank, Bray-on-Thames, Maidenhead. Mill Green Rd, Haywards Hth, W. Sussex 0444 413307

Legal & General (Unit Pensions) Ltd

Kingswood House, Kingswood, Tadworth, Surrey 0737 370370

	Bid Price	Offer Price	+ or -	Yield Gross
Ex Bldg Soc Lnkd	156.0	164.3	+0.1	-
Do. Accum	195.5	205.8	+0.1	-
Exempt Cash Init.	278.7	293.4	+0.1	-
Do. Accum.	439.7	462.9	+0.1	-
Exempt Eqty. Init.	869.1	914.9	-3.1	-
Do Accum	1371.3	1443.5	-5.1	-
Exempt Euro Init.	163.3	171.9	+0.5	-
Do Accum	198.2	208.7	-0.7	-
Exempt Far East Init.	219.5	231.1	+0.3	-

Manulife Group – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Pension Fund Prices				
Managed Init.	329.6			-
Do. Accum.	484.7			-
Property Init.	313.3			-
Do Accum.	461.6			-
Equity Init.	411.1			-
Do. Accum.	605.8			-
Gilt-Edged Init.	255.1			-
Do. Accum.	389.1			-
Guaranteed Init.	206.1			-
Do. Accum.	306.7			-

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N & P Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Prosperity Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd – Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group (z)

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

CMI Insurance Co Ltd

CMI Insurance Co Ltd – Contd.

Eagle Star Int'l Financial Services

Equitable Life (International)

Equity & Law Int'l Life Assce Co Ltd

Fisonce International Ltd

Fleming Life Assurance Ltd

Guardian Financial Management Ltd

Hansard International Ltd

Pension Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

Attica Financial Services

Campbell Financial Services

ECU Futures Plc

Edinburgh Money Management Ltd

Fairmount Financial Services Ltd

Garbours Fund Managers Ltd

Westminster Financial Services(Pty) Ltd

IPS Lamont PLC

Independent Financial Group PLC

Knight Williams & Company Ltd

NEL Britannia Investment Mgrs Ltd

PBR Fund Management Ltd

Pendleton May Financial Services Ltd

Pointon York Ltd

Shaw (Albert E.) & Co.

Sittala Fund Managers Limited

South Yorks Financial Planning

Charles Stanley & Co Ltd

Tallinvest Management Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fd Mnmgt (Guernsey) Ltd

BWI-Hambros Asset Mngmt (Guernsey) Ltd

Barclays Intl Fd Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Crefund Invest Managers (Guernsey) Ltd

Gartmore Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Macarthey & Davis Invest Mngt Plc

Northam Bings & Partners

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Credit Suisse Asset Mgmt (Guernsey) Ltd

Dartnell Management (Guernsey) Ltd

Fleming-Cazalet Fd Mngrs (Guernsey) Ltd

John Govett Mngmnt International Ltd

Hambros Fund Managers (CI) Ltd

Hansall Throgmorton Mngmt Ltd

Henderson Admin. (Guernsey)

Holborn Fund Management (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Kleinwort Benson Islamic Fd Mngmt Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Small International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Stonehage Fund Mngrs Ltd

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U.S. Treasury Securities Fund Ltd

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

John Govett – Contd.

Hill Samuel Fund Mgrs (Jsy) Ltd (1600)F

JERSEY (REGULATED)(**)

Scrimgeour Kemp-Gee Mngmt., Jersey

TSB Trust Funds (CI)

Target Internat. Management (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

Gartmore Indosuez Funds – Contd.

Wardley Investment Services – Contd.

LUXEMBOURG (REGULATED)(**)

Templeton Worldwide Investments

Top Brand Fund Intl-SICAV (a)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

GT Chile Growth Fund Ltd

GT European Warrant Fd Mngrs (Lux) SA

GT Management Plc

Merrill Lynch Guernsey

Mitsubishi Finance International Ltd

Morgan Stanley Japanese Warrant Fund NV

NM Financial Mngt Intl Ltd

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Economic worries to the fore

THE DOLLAR was lower yesterday as the currency markets continued to worry about the possibility of a rise in German interest rates and the pace of the US economy's climb out of recession.

The dollar opened lower in Europe following another hint by Bundesbank president-designate, Mr Helmut Schlesinger that German interest rates may have to rise.

In a newspaper interview, Mr Schlesinger said: "First of all, we have a slight climb in market interest rates, especially the capital market. We are clearly in a period of rising interest rates."

But he also said: "I don't want to conclude from this that we are forced to act in regards to our interest rates."

Mr Schlesinger's remarks were a reiteration of comments made last week. Nevertheless, the markets dollar took them badly and the dollar fell to DM1.7380 from a previous London close of DM1.7505.

Having begun weakly, the dollar then spent much of the session trading in a narrow range, nervously awaiting a batch of US economic statistics.

The release of a disappointing set of June factory order figures was the trigger for a bout of dollar selling. The 1.4 per cent decline was more than twice analysts' forecasts and compared with a rise of 2.9 per cent in May. The dollar duly fell back to the DM1.7410 support level before recovering slightly.

The release of June leading indicators had little immediate impact on the dollar, although it did reinforce doubts about the strength of the economic recovery. The 0.5 per cent increase in June compared with expectations of a 0.7-0.8 per cent rise and the previous month's 0.8 per cent gain.

Looking forward to the rest of the week, attention is likely to focus on the US National Association of Purchasing Managers report today and employment figures tomorrow. These two reports will give the first indication on how the US economy performed in July and will be scrutinised for further clues on the strength of the recovery.

The dollar closed lower at DM1.7450 from DM1.7505; at SFr1.5250 from SFr1.5250; at Y137.35 from Y137.80; and at FFr5.9350 from FFr5.9525.

Sterling was steady despite the recent gloomy survey from the Confederation of British Industry. No immediate reduction in UK interest rates is expected, particularly with a rise in German rates seen by dealers on the horizon.

Sterling rose to $1.6850 from $1.6805; to SFr2.5700 from SFr2.5675; was unchanged at Y231.50; and fell to DM2.9400 from DM2.9425; and to FFr10.000 from FFr10.0025.

In the Exchange Rate Mechanism, the Deutschemark remained firm on speculation that the Bundesbank will raise German rates at its next council meeting on August 15. Elsewhere, the Lira suffered some early weakness on speculation that an Italian general election may be called and on worries about the budget deficit.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 31	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.557	−3.80	5.31	66
Italian Lira	1538.24	1531.74	−0.42	1.74	26
Belgian Franc	42.4032	42.2860	−0.28	1.59	19
D-Mark	2.05586	2.05231	−0.17	1.49	18
Dutch Guilder	2.31643	2.31366	−0.12	1.43	11
Irish Punt	0.767417	0.767738	0.04	1.27	3
Sterling	0.696904	0.697596	0.10	1.21	−3
French Franc	6.89509	6.97951	1.22	0.09	−61
Danish Krone	7.84195	7.94485	1.31	0.00	−56

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

July 31	Latest	Previous Close
£ Spot	1.6815-1.6825	1.6745-1.6755
1 month	0.76-0.74pm	0.79-0.77pm
3 months	2.11-2.08pm	2.10-2.07pm
12 months	6.40-6.30pm	6.45-6.35pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 31	Previous
8.30 am	91.0	90.9
9.00 am	90.9	90.9
10.00 am	90.9	90.9
11.00 am	90.9	90.9
Noon	90.9	90.9
1.00 pm	90.9	90.9
2.00 pm	90.9	90.9
3.00 pm	90.9	90.9
4.00 pm	90.9	90.9

CURRENCY MOVEMENTS

Jul 31	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.9	−21.0
U.S Dollar	66.8	−11.7
Canadian Dollar	105.4	+2.7
Austrian Schilling	108.8	+11.3
Belgian Franc	110.2	−2.8
Danish Krone	107.5	+2.3
D-Mark	116.5	+23.4
Swiss Franc	108.8	+17.7
Dutch Guilder	112.9	+15.2
French Franc	101.8	−13.8
Lira	98.2	−20.2
Yen	137.6	+69.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Jul 30

CURRENCY RATES

Jul 31	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.791931	0.697596
U.S Dollar	5.50	1.33434	1.17529
Canadian $	8.95	1.53649	1.35253
Austrian Sch	7	16.3790	14.4373
Belgian Franc	7.50	47.9528	42.2860
Danish Krone	9	9.01013	7.94485
D-Mark	6.50	2.32856	2.05231
Dutch Guilder	7.75	2.62585	2.31366
French Franc	10¼	7.91931	6.97951
Italian Lira	11½	1741.01	1531.74
Japanese Yen	5.50	184.072	161.875
Norway Krone	8	9.08352	8.01139
Spanish Peseta	–	145.891	128.557
Swedish Krona	10.00	8.44103	7.44314
Swiss Franc	6.00	2.03260	1.79056
Greek Drach	19	N/A	225.713
Irish Punt	–	N/A	0.767738

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Jul 30

OTHER CURRENCIES

Jul 31	£	$
Argentina	16762.3 - 16779.1	9945.00 - 9955.00
Australia	2.1655 - 2.1675	1.2840 - 1.2850
Brazil	581.950 - 582.860	345.400 - 345.700
Finland	7.0705 - 7.0835	4.1980 - 4.2010
Greece	319.950 - 326.350	189.890 - 193.690
Hong Kong	13.0820 - 13.0985	7.7580 - 7.7600
Iran	112.00*	70.00*
Korea(Sth)	1206.85 - 1226.30	723.20 - 729.00
Kuwait	0.49240 - 0.49270	0.29185 - 0.29195
Luxembourg	60.50 - 60.60	35.90 - 36.00
Malaysia	4.6970 - 4.7050	2.7855 - 2.7875
Mexico	5080.25 - 5084.95	3015.00 - 3016.00
N.Zealand	2.9495 - 2.9530	1.7490 - 1.7510
Saudi Ar	6.2735 - 6.3505	3.7500 - 3.7510
Singapore	2.9335 - 2.9405	1.7425 - 1.7445
S.Af (Cm)	4.8275 - 4.8390	2.8630 - 2.8645
S.Af (Fn)	5.4585 - 5.5475	3.2365 - 3.2895
Taiwan	45.35 - 45.45	26.90 - 26.95
U.A.E.	6.1425 - 6.2195	3.6715 - 3.6735

* Selling rate.

EXCHANGE CROSS RATES

July.31	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.685	2.940	231.5	10.00	2.570	3.313	2194	1.944	60.55	1.432
$	0.593	1	1.745	137.4	5.935	1.525	1.966	1302	1.154	35.93	0.850
DM	0.340	0.573	1	78.74	3.401	0.874	1.127	746.3	0.661	20.60	0.487
YEN	4.320	7.279	12.70	1000.	43.20	11.10	14.31	9477	8.397	261.6	5.186
F Fr.	1.000	1.685	2.940	231.5	10.	2.570	3.313	2194	1.944	60.55	1.432
S Fr.	0.389	0.656	1.144	90.08	3.891	1	1.289	853.7	0.756	23.56	0.557
H Fl.	0.302	0.509	0.887	69.88	3.018	0.776	1	662.2	0.587	18.28	0.432
Lira	0.456	0.768	1.340	105.5	4.558	1.171	1.510	1000.	0.886	27.60	0.653
C$	0.514	0.867	1.512	119.1	5.144	1.322	1.704	1129	1	31.15	0.737
B Fr.	1.652	2.783	4.855	382.3	16.52	4.244	5.472	3623	3.211	100	2.365
ECU	0.698	1.177	2.053	161.7	6.983	1.795	2.314	1532	1.358	42.23	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100

FINANCIAL FUTURES AND OPTIONS

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Sep	92.13	92.13	92.11	92.11
Dec	92.28	92.29	92.25	92.26
Mar	92.54			92.53
Jun	92.78			92.74

Estimated volume 802 (1205)
Previous day's open int. 17032 (17066)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Sep	2623.0	2639.0	2621.0	2628.0
Dec	2665.0			2670.0
Mar				

Estimated volume 4448 (5456)
Previous day's open int. 37391 (36826)

FT-SE EUROTRACK 100 INDEX
DM50 per full index point

	Close	High	Low	Prev.
Sep	1133.0	1132.0	1132.0	1131.0
Dec				

Estimated volume 1 (5)
Previous day's open int. 222 (219)

* Contracts traded on APT after trading hours

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
102	-	-	-	0.05	0.39	-
103	-	-	-	0.15	-	-
104	0.68	-	-	0.04	0.99	-
105	0.23	0.87	-	0.95	1.48	-
106	0.07	0.54	-	-	-	-
107	-	0.30	-	-	-	-
Open Int.	145,701	42,364	9,310	105,490	26,570	16,250

Estimated volume 27,399 Total Open Interest 345,685

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6850	1.6775	1.6641	1.6480	1.6213

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.6738	1.6760	1.6710	1.6664
Dec	1.6560	1.6580	1.6550	1.6474
Mar	-	1.6430	-	1.6328

BASE LENDING RATES

	%		%		%
Adam & Company	11	Co-operative Bank	11	McDonnell Douglas Bnk.	11
Allied Trust Bank	11	Coutts & Co	11	Midland Bank	11
AIB Bank	11	Cyprus Popular Bk	11	Mount Banking	11
● Henry Ansbacher	11	Dunbar Bank PLC	11	NatWestminster	11
B & C Merchant Bank	11	Duncan Lawrie	11	Northern Bank Ltd	11
Bank of Baroda	11	Equatorial Bank plc	11	Nykredit Mortgage Bank	12
Banco Bilbao Vizcaya	11	Exeter Bank Limited	11½	Provincial Bank PLC	14
Bank of Cyprus	11	Financial & Gen. Bank	12	Roxburghe Bank Ltd.	12.5
Bank of Ireland	11	First National Bank Plc.	14	Royal Bk of Scotland	11
Bank of India	11	● Robert Fleming & Co.	11	● Smith & Williams Secs.	11
Bank of Scotland	11	Robert Fraser & Ptnrs.	11½	Standard Chartered	11
Banque Belge Ltd	11	Girobank	11	TSB	11
Barclays Bank	11	● Guinness Mahon	11	Unibank plc	11
Benchmark Bank	11.5	● Hambros Bank	11	● United Bk of Kuwait	11
Brit Bk of Mid East	11	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	11
● Brown Shipley	11	Heritable & Gen Inv Bnk.	11	Western Trust	11
CL Bank Nederland	11	● Hill Samuel	11	Westpac Bank Corp.	11
Citibank NA	11	C. Hoare & Co.	11	Whiteaway Laidlaw	11
City Merchants Bank	11	Hongkong & Shanghai	11	Yorkshire Bank	11
Clydesdale Bank	11	● Leopold Joseph & Sons	11		
Comm. Bk of London Plc	11	Lloyds Bank	11		
		Meghraj Bank Ltd	11		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

London rates steady

Money market rates were broadly steady yesterday, although there were some signs of a slight easing in longer-dated rates in continuing reaction to the recent gloomy quarterly survey from the Confederation of British Industry.

The CBI survey, which was accompanied by a call for lower interest rates, has revived speculation about an easing in monetary policy in the autumn. But dealers said there would only be a more pronounced easing in money market rates if economic data bears out the CBI's belief that the UK remains firmly in recession.

UK clearing bank base lending rate
11 per cent
from July 12, 1991

Three-months inter-bank money was quoted at 11⅛-1/16 per cent against 11 1/16-¼ per cent, while six months was steady at 11-10⅞ per cent.

In the futures market, September short sterling was at 89.21, up 3 basis points, having spent much of the session in an extremely tight range. The current level of the September short sterling contract implies that the futures market is not anticipating any reduction in interest rate before the end of that month.

The market was left short of liquidity again yesterday, although this was not due to any reticence on the Bank of England's behalf to buy bills from the market. Instead, bill holders again seemed unwilling to sell.

There are three reasons for this unusual development. The fall-out from the closure of the Bank of Commerce and Credit International has made short-term government paper more attractive than putting money on short-term deposit.

Secondly, bank's liquidity levels have changed and this is partly linked to BCCI. Thirdly, discount houses and clearing banks often prefer the begining or the end of the end of the week to part with their bills.

Yesterday the Bank of England bought a total of £1.04bn of bills against a forecast liquidity shortage of £1.2bn.

In Frankfurt call money rates continued to firm in anticipation that the Bundesbank will tighten monetary policy in the near future. The Bundesbank's credit operations also drove short-term rates higher.

The Bundesbank left the market DM100m short after it replaced an expiring DM49.9bn credit facility with DM49.7bn. The Bundesbank allocated DM38.9bn of 34-day funds mostly at 8.80-8.85 per cent: and DM10.8bn of 62-day funds at 9 per cent.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

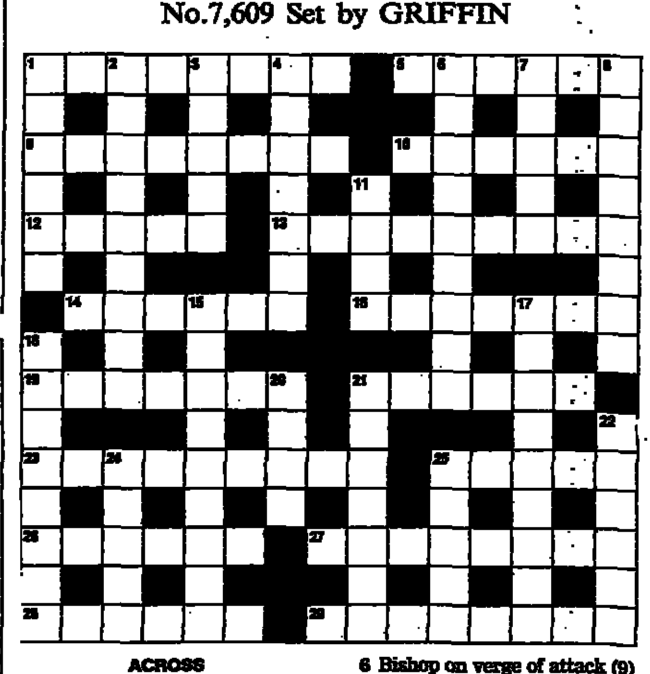
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,609 Set by GRIFFIN



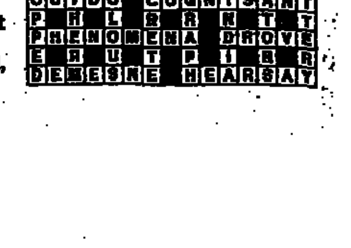
ACROSS

1 Leave pet I love in vehicle (8)
5 A table on a bus? (6)
9 BT building without a switch (8)
10 Spring turned cold back home (6)
12 Where the Parisian writer returned (5)
13 Which happen if policemen interrupt tennis game (9)
14 Managing with peg in gearwheel (6)
16 Make damp site repairs during day (7)
19 Said why person in club is potential killer (7)
21 Author with taste for verse (6)
23 Hospital attendants with degrees lie in (9)
25 Cancel a missing book (5)
26 Servant admitting male doctor's greed (6)
27 Ruined slope by parking in furrow (8)
28 Measure fifty grams then turn round (6)
29 Pass rocky dale in cape (8)

DOWN

1 Girl (4) raised capital (8)
2 Caught carelessly any pooch makes disagreeable noise! (9)
3 Hunt for bar after last act (5)
4 Taking work in Gateshead, developing (7)
6 Bishop on verge of attack (9)
7 Front cover article about golf instructor (5)
8 Starts dinner with singer's fancy sauce (8)
11 Floating matter in some sea, say (4)
15 Private hotel terms amended – ring in (9)
17 Spider found thanks to natural evolution (9)
18 Jack beat Ron back? Strange! (8)
20 Spruce cut to desired size (4)
21 Spend time on voyage (7)
22 Exalted man grabs behind! (6)
24 Fellow holding me up is ace (5)
25 Questioned, having sunbathed topless (5)

Solution to Puzzle No.7,608



WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · HONG KONG · MALAYSIA · SINGAPORE

[illegible]

Price data supplied by Telekurs.

CANADA

TORONTO

3:00 pm prices July 31

[illegible]

MONTREAL

3:00 pm prices July 31

[illegible]

Total Sales 7,887,200 shares

INDICES

NEW YORK

DOW JONES	July 30	July 29	July 26	July 25	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	3016.32	2985.24	2972.50	2980.10	3035.33 (3/6)	2470.30 (9/1)	3035.33 (3/6/91)	41.22 (2/7/32)
Home Bonds	94.74	94.78	94.86	94.79	95.09 (30/5)	91.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1216.85	1211.04	1206.10	1208.74	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	204.04	204.60	202.97	201.65	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 3029.07 (2996.20) Low 2983.68 (2957.07)

STANDARD AND POOR'S

	July 30	July 29	July 26	July 25	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	386.69	383.15	380.93	380.96	390.45 (17/4)	311.49 (9/1)	390.45 (17/4/91)	4.40 (1/6/32)
Industrials	461.20	456.32	453.49	454.01	463.23 (18/4)	364.90 (9/1)	463.23 (18/4/91)	3.62 (21/6/32)
Financial	30.33	30.09	30.03	30.10	31.58 (18/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	211.64	209.85	208.78	208.78	213.21 (17/4)	170.97 (9/1)	213.21 (17/4/91)	4.46 (25/4/42)
Amex Mkt. Value	367.00	365.19	364.51	365.07	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	498.27	493.34	492.69	490.28	511.31 (17/4)	355.75 (14/1)	511.31 (17/4/91)	54.87 (31/10/72)

	July 26	July 19	July 12	year ago (approx.)
Dow Industrial Div. Yield	3.10	3.04	3.08	3.72

	Jul 24	Jul 17	Jul 10	year ago (approx.)
S & P Industrial div. yield	2.77	2.74	2.79	2.94
S & P Indl. P/E ratio	19.02	19.74	18.89	16.95

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Pepsico	3,087,800	31⅝	+ 1⅛
Telefonos	2,849,300	31⅛	- ⅛
Boeing	2,660,100	46½	+ 2⅛
Amer T & T	1,571,000	39⅜	- ⅛
Philip Morris	1,556,200	66⅞	+ ⅛
Whirlpool	1,465,400	34⅜	+ 2⅛
Glaxo	1,377,100	44	+ 1
McDonalds	1,371,000	33	+ ⅛
Time Warner	1,338,100	82⅞	+ ⅛
Stewmet Natl	1,176,400	7⅞	...

TRADING ACTIVITY

† Volume (Millions)	July 30	July 29	July 26
New York SE	169.084	135.240	127.690
Amex	12.810	9.045	9.041
NASDAQ	152.256	121.672	124.564
NYSE			
Issues Traded	2,068	2,055	2,032
Rises	1,022	820	765
Falls	535	708	718
Unchanged	511	527	549
New Highs	100	60	42
New Lows	13	13	8

CANADA

TORONTO	July 30	July 29	July 26	July 25	1991 HIGH	1991 LOW
Metals & Minerals	3249.29	3209.89	3205.15	3229.12	3299.99 (18/7)	2632.06 (9/1)
Composite	3548.90	3530.27	3524.72	3523.09	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1881.37	1868.96	1867.41	1871.29	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	July 31	July 30	July 29	July 26	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1572.4	1574.2	1567.5	1563.1	1574.2 (30/7)	1204.5 (16/1)
All Mining (1/1/80)	701.4	703.9	700.2	700.7	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	469.61	468.26	468.05	471.33	534.81 (16/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1139.69	1129.76	1124.21	1126.85	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	376.88	375.86	375.21	374.60	380.01 (16/7)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	1027.0	1020.8	1020.0	1012.7	1186.9 (8/4)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	464.49	467.14	467.03	469.72	494.95 (12/6)	394.88 (15/1)
CAC 40 (31/12/87)	1754.73	1756.59	1757.90	1767.66	1874.81 (11/6)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	676.53	673.92	667.02	672.77	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1909.5	1897.1	1880.1	1895.1	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1622.31	1614.93	1605.57	1605.64	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4009.58	3991.83	4016.29	4031.29	4031.29 (26/7)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1433.75	1427.19	1420.39	1405.26	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital (1972)	573.38	569.91	568.94	571.82	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	24120.75	23872.63	23443.58	23519.07	27146.91 (18/3)	22176.17 (8/7)
Tokyo SE (Topix) (4/1/68)	1859.12	1846.98	1826.04	1833.60	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	3088.18	3068.72	3062.32	3069.78	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	602.32	602.06	607.11	605.46	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl Rtn Gen.(End 1983)	281.8	281.8	280.3	279.7	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	200.8	200.8	199.7	199.3	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	773.80	762.29	759.56	762.46	792.13 (4/6)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1017.15	1022.72	999.92	996.58	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	401.57	401.24	402.15	405.21	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1327.04	1299.0	1353.0	1307.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4085.04	4041.0	4014.0	3958.0	4085.0 (31/7)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	717.03	734.48	714.27	674.34	734.48 (30/7)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	269.51	269.73	268.19	268.03	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1116.60	1110.20	1108.30	1105.50	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	761.6	760.6	760.2	761.1	767.2 (16/7)	590.4 (14/1)
SBC General (1/4/87)	632.8	630.9	629.4	630.3	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	5178.06	5227.83	5185.59	4957.09	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	738.70	743.95	(c)	742.41	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl (1/1/70) ($)	506.2*	505.1	501.0	501.6	529.2 (17/4)	439.1 (16/1)

**Saturday July 27: Taiwan Weighted Price: 5140.30 Korea Comp Ex. 693.22.
◆ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 31 July 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	11.2m	410	+1	Nippon Steel	5.5m	422	+2
Osaka Gas	8.2m	636	+9	NKK	4.9m	375	-5
Nippon Carbon	6.7m	894	+54	Showa Shell S	4.7m	1,750	+90
Nippon Mining	6.6m	580	+34	Clarion	4.6m	1,180	+50
Mitsui Ship	5.7m	687	+23	Toray Industries	4.1m	858	+9

3:15 pm prices July 31

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
12	7¼	Growth Spn				[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2⅞	1	Grubb & E/			0	30	1⅜	1¼	1¼	
29	23¾	Grumman2.8 x				8	25¼	25⅛	25¼	
21⅝	14⅞	Grumman	1.00	0.05	7	163	19¾	19½	19¾	
11½	8⅞	Guardsman	0.80	0.05	12	135	9¼	8¾	9¼	+⅛
24⅝	17	Guilford M	0.80	0.03	13	30	23⅛	23	23	−⅛
8¼	5⅛	Gulf RC			3	24	5⅞	5⅞	5⅞	+⅛
72	53½	GulfSt4.4				7	71¼	71¼	71¼	
60	60	GulfSt5 1				5	a60	60	60	
45½	36	Gulf St3 8				60	43½	43½	43⅝	+⅛
46⅝	38⅞	Gulf St4 4				43	46⅛	46	46⅛	+⅛
73	58½	GulfSt4 5				z100	72	72	72	
130½	95⅞	GulfSt8.8				2	127½	127	127½	
67½	51	GulfSt Ut				9	66¼	66¼	66¼	
12¼	9	Gulf St Ut			31	465	10⅜	10¼	10⅜	

- H -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
16⅝	10⅞	H&Q Heavy				97	15¾	15½	15⅝	
28¼	23	HK Tel ADR			17	100	26½	26⅛	26½	+⅛
16¼	10¾	HRE Props	1.50	0.11	19	23	14	13⅞	14	−⅛
3⅛	1½	Hadson			32	169	1⅜	1⅜	1⅜	
4	2⅞	Hall FB			7	641	3⅜	3⅜	3⅜	
55¼	34¾	Halliburto	1.00	0.02	22	2614	40⅛	39¼	39¾	−⅛
7½	4⅝	Hallwood			7	26	6⅞	6¾	6⅞	
27¼	18⅞	H'cock Fab	0.32	0.01	18	714	22⅞	21¼	22⅞	+⅞
16½	14¼	H'cock Inc	1.47	0.09	20	87	16¼	16	16¼	+⅛
22	19¼	H'cockJohn	2.02	0.09	27	27	21½	21¼	21½	+⅛
15⅛	10¼	Handleman	0.40	0.03	17	49	14	13⅞	14	
15¼	12⅞	Handy Harm	0.88	0.06	33	89	14⅛	14⅛	14⅛	
25½	17¾	Hanna	0.60	0.02	12	534	23⅝	23⅛	23¼	−⅛
45½	32¾	Hannaford	0.52	0.01	20	162	44½	43¾	44½	+¾
7⅝	3⅞	Hanson Wt				25	4⅞	4⅞	4⅞	
23¼	16½	Hanson ADR	1.34	0.07		91857	18⅛	17⅞	18	
1¼	⅜	Hrcourt BJ			0	592	[illegible]	[illegible]	[illegible]	
1⅛	⅞	Harct B 12				540	[illegible]	[illegible]	[illegible]	
4	1⅞	Harken			2	217	2⅞	2⅞	2¾	
24½	18	Harland	0.88	0.04	14	210	22⅞	22⅝	22¾	+⅛
39⅞	17¾	Harley Dav			23	890	u41	39¾	40¾	+⅞
11¼	4½	Harman Ind			11	6	u11⅛	10⅞	10⅞	−⅛
22	16	Harnischfe	0.40	0.02	9	263	21⅛	21⅛	21⅛	−⅛
28⅞	18⅝	Harris Crp	1.04	0.04	29	301	28	25¾	26⅞	+⅛
30¾	22¾	Harsco Crp	1.20	0.04	11	434	27⅞	27¼	27⅝	−⅛
63¾	46¼	Hartfd Stm	1.80	0.03	14	236	66⅞	66⅛	66⅝	−⅛
13¼	7⅝	Hartmarx C x	0.60	0.06	12	101	9½	9⅜	9⅜	−⅛
16⅞	14½	Hatteras	1.68	0.09		2	16¼	16¼	16½	
35½	29⅝	HawaiianEl	2.20	0.06	16	216	34⅛	33⅞	34⅛	+⅛
41⅛	33	Health Ca r	3.26	0.08	16	65	40⅛	39¾	39¾	−⅛

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NYSE COM[illegible]

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AMEX COMP[illegible]

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NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
60⅛	35¼	Xerox	3.00	0.05	10	2244	57⅞	56¼	56⅝	−1½
51	43¾	Xerox4.125				2	50¼	50¼	50½	−½
21¼	14⅛	Xtra 1.94				46	20½	20	20	−½
24⅞	14¼	Xtra Corp	0.72	0.03	21	62	22½	22¼	22⅛	−⅛
24¾	21⅞	Yankee Egy	1.60	0.07	10	263	23	22⅞	22⅞	+¼
1½	⅛	Zapata			0	140	⅜	¼	⅜	
9⅞	6⅛	ZenithElec			2	247	6⅝	6⅜	6⅜	−⅛
18½	12	Zenith Nat x	1.00	0.06	75	341	18⅛	17⅞	18	+⅛
6¼	4½	Zenix Inc x	0.64	0.14		38	6	5⅞	5⅞	
15⅞	10⅞	Zero Corp	0.40	0.03	18	117	13⅞	13½	13¾	−⅛
41⅞	29½	Zurn Ind	0.88	0.02	15	269	37⅛	36½	37⅛	+⅜
13½	10¼	Zweig Fund	1.12	0.09		250	12⅞	12½	12⅝	
10	8½	Zweig Totl	0.96	0.10		302	9⅞	9¾	9⅞	+⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices July 31

NASDAQ NATIONAL MARKET

3:15 pm prices July 31

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		32	2747	25¼	24½	25½	
XL Data		21	1042	u10⅞	10	10¼	+¼
Xoma Corp		13	11056	26¼	25¾	25½	+½
Yellow Fr x	0.94	16	1223	30⅝	30⅜	30⅜	−⅛
York Rsch		5	3634	6⅛	5½	5⅜	
ZionsUtah	1.44	9	47	u45½	44	45	+½

WORLD STOCK MARKETS

AMERICA

Dow consolidates despite economic disappointment

Wall Street

SHARE prices held on to most of the gains earned during Tuesday's buying spree in spite of some mildly disappointing economic news, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 1.56 at 3,014.76, having stayed close to opening values all morning. The more broadly based Standard & Poor's 500 was also slightly weaker, down 0.05 at 386.64 at 1 pm, while the Nasdaq composite of over-the-counter stocks rose 1.36 to 499.63. NYSE turnover was 96m shares by 1 pm.

Analysts had expected a period of consolidation after the 31-point jump in the Dow on Tuesday, and it was a testament to the market's resilience that news of a 1.4 per cent fall in June factory orders and a weak Chicago purchasing managers' report did not spark a sell-off.

Although the data confirmed that the economy remains poised between a stalled, and a slow recovery, the market will not move sharply in any one direction until it has seen the July employment report, due out tomorrow.

Steel stocks held steady after poor second quarter earnings data. USX-Steel rose $¾ to $27, Bethlehem Steel added $⅛ at $17⅛ (buoyed by predictions of higher steel shipments in the third quarter), while LTV stood still at $1¼. USX-Marathon, the energy component of USX, slipped $⅛ to $25⅝.

Insurers stocks were in the spotlight after Travelers and US F&G reported quarterlies. US F&G firmed $⅛ to $7⅞ after revealing a $56m net loss, in line with expectations, while Travelers gained $⅝ to $19⅝ after reporting a decline in second quarter net income to 85 cents a share, which included a charge of 7 cents a share.

Duracell rose $⅝ to $23⅞ after announcing a net loss of $34.2m for the full fiscal year which ended on June 30. The loss was the result of extraordinary items related to the repurchase and refinancing of corporate debt.

On the over-the-counter market, newcomer Wellfleet Communications prospered. The stock was priced late on Tuesday at $17 when 3.5m shares were brought to the market, and by midsession yesterday was trading at $22¼ on turnover of 2.6m shares.

Leading Nasdaq issues enjoyed mixed fortunes, with Microsoft, which has been on a roller-coaster ride in recent days, rising $¾ to $73¼ and Sun Microsystems gaining $2 to $30⅝, but Apple giving up $¼ at $46 and US Healthcare dropping $1 to $31¼.

Canada

TORONTO stocks were lower at midday on moderate profit-taking in a number of blue chips. The composite index lost 12.0 to 3,537.4. Declines led advances by 216 to 159 on volume of 12m shares.

Inco, which has surged in recent weeks on higher nickel prices, fell C$⅝ to C$41⅞ on volume of 110,000 shares.

PWA Corp fell C$⅝ to C$6⅞ on volume of 293,000 shares after Wood Gundy crossed a block of 250,000 shares priced at C$7. PWA disappointed the market earlier this week with a second quarter loss of 75 cents per share versus a profit of 51 cents per share.

International Semi-Tech fell C$½ to C$13⅝. It expects its Singer sewing machine subsidiary to be listed on the NYSE by the end of next week.

Thailand shows fatigue after volatile July

Slowing earnings growth and high interest rates are a burden, says **William Cochrane**

THE Bangkok stock market is showing signs of reverting to its downward trend after a volatile month of July. The SET index fell 6.4 per cent in the first week, 5.8 per cent in the second, and then recovered 14 per cent in the 12 days to Tuesday in a technical correction enhanced by rallies elsewhere in the Asia Pacific region.

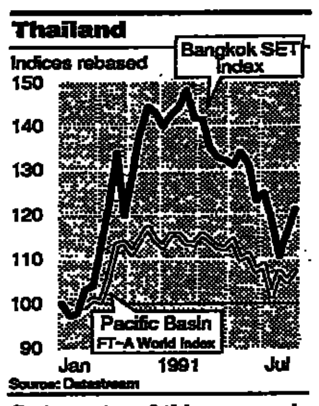
Yesterday, however, its renaissance came to an abrupt halt, as the SET index lost 15.25 to 728.70 in turnover of Bt4.32bn, which compares with a five-month peak of Bt6.39bn last Thursday and an average of Bt5.28bn last week.

Mr David Bates, of the Thai-owned Asia Equity in London, says yesterday's setback coincides with the quarterly reporting season of a well-disciplined corporate sector. In all, 48 Thai companies produced second-quarter results yesterday after 20 on Tuesday, and on his estimate some 65 per cent of them showed a decline in earnings per share growth.

"There were still some great performances," he says. "CP Feedmills showed a 65 per cent jump in first-half profits; but there were also substantial profit falls, with The Nation, the newspaper publishing group, down 38 per cent and Siam City Cement [one of the biggest blue chips] down 32 per cent."

Furthermore, he adds, some of the six new issues listed on the Bangkok Stock Exchange on Tuesday disappointed on their arrival. Traditionally, newcomers are priced at a substantial discount; but this time Bangkok Steel, priced at Bt85, opened at Bt75.

Mr Bates observes that the market's recent performance is only a further demonstration of its "phenomenal" beta factor, or volatility. Bangkok advanced 41 per cent in the first quarter of this year, making it the second-best performing market in Asia; in the second quarter it fell 11 per cent.



Earlier, the SET index more than doubled from 395.53 to 879.19 in 1989, going on to peak at 1,143.78 in July 1990 and dropping to 544.30 some four months later when Iraq invaded Kuwait.

Mr Chris Sherwell of Smith New Court sees what happened in the second half of July as a bear market rally. Thailand is looking at high interest rates, 16 per cent since the first week of July, and the prospect of them going even higher. The Bangkok equity market has responded with red ink since the last week in April.

Thailand has been powering along the economic fast track, with Gross National Product growth rising from 9.5 per cent in 1987, through 13 per cent in 1988 to 12 per cent in 1989. It still managed 10 per cent in a disturbed 1990. Mr Bates is expecting 8 per cent for 1991 – "and I would probably say 8.5 per cent for 1992".

However, Mr Sherwell expects that Thailand's current account deficit will hit an "unsustainable" 10 per cent of Gross Domestic Product in 1991. After five successive years of above-average growth and consequent inflationary pressure, he says, the measures needed to counter these problems are undermining market sentiment.

Tight fiscal policy and higher interest rates have been slow to work. Foreigners have become more cautious, and while that initially meant a declining share of direct investment and a rise in the share of domestic speculative investment, the process has gone further. "Figures from the SET for the first five months of the year," says Mr Sherwell, "show a 70 per cent decline in foreign turnover."

On a one-year view he does not expect Thailand's economic growth rate to solve its deficit problem. So on this basis, and on corporate performance, Bangkok could be destined for another period of underperformance.

ASIA PACIFIC

Nikkei extends gains to rise above 24,000

Tokyo

SHARE prices extended their gains yesterday, pushed up by arbitrage-related trading. The Nikkei average closed above 24,000 for the first time since July 1, *writes Emiko Terazono in Tokyo.*

The 225-issue index, which gained 1.8 per cent on Tuesday, closed up 248.12 at 24,120.75. The index opened at the day's low of 23,905.43 and reached the session's high of 24,156.52 on index-linked buying.

Volume expanded to 330m shares from 280m, exceeding the 300m level for the first time in 16 trading days. Advances outnumbered declines by 601 to 309, with 213 issues unchanged. The Topix index of all first section stocks climbed 12.14 to 1,859.12, but in London the ISE/Nikkei 50 index eased 1.86 to 1,423.15.

Strong futures prompted arbitrage-related buying. Traders said the leading Japanese brokerages were promoting futures trading to clients instead of cash stocks. Heavy index-related buying by investment trusts was noted.

The Tokyo Stock Exchange announced arbitrage positions for last week. Arbitrageurs held shares amounting to Y1,210bn against September futures contracts as of July 26, an increase of Y94.2bn. Morgan Stanley was the most active brokerage house during the week of July 22-26, trading 30.1m shares, or 31.7 per cent of total arbitrage transactions. It was followed by Nikko Securities and Salomon Brothers Asia.

Securities companies continued to rally as investors believed the issues to be oversold. Nomura Securities, which has fallen more than 20 per cent since the revelation of client compensation in June, put on Y50 to Y1,850, while Nikko gained Y49 to Y990.

Interest rate-sensitive large-capital issues were stronger on foreign buying. Mitsui Shipbuilding rose Y23 to Y587.

Cement issues advanced on reports of growing demand for cement in China and South Korea, with Nihon Cement adding Y8 at Y943. Sumitomo Cement rose Y16 to Y665 on forecasts of a 50 per cent jump in operating profits to Y11bn for the current year.

Toray, the synthetic fibre maker, moved up Y9 to Y658 on buying by foreign investors. Foreigners also sought international blue chips such as Sony, up Y160 to Y6,260, and TDK, Y100 higher at Y6,140.

Bridgestone, the tyre maker, slipped Y20 to Y1,050 on a downward revision of its consolidated earnings forecasts. The company said pre-tax profits would fall 20.7 per cent to Y50bn after a rise in retirement payments resulting from staff cuts.

In Osaka, the OSE average appreciated 135.25 to 26,463.58 on volume of 30.3m shares. Investors focused on companies backed by strong earnings projections. Dai-Dan, the engineering group, rose Y100 to Y4,560 on bargain hunting.

Roundup

WALL Street's overnight gains had little effect on the Pacific Rim markets yesterday.

SEOUL fell 2.4 per cent on institution-led selling, ending four days of gains. Dealers had been expecting a technical correction. There were also reports that the Finance Ministry had requested securities houses to sell a portion of their holdings to cool the overheated market. The Finance Ministry denied the reports. The composite index shed 17.45 to 717.03 in Won843.6bn volume.

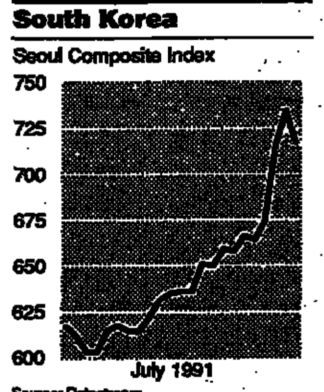
NEW ZEALAND expressed cautious approval of Tuesday's budget, which proposed drastic spending cuts but also measures to tighten company tax laws. The NZSE-40 index closed 9.71 higher at 1,473.06 but after sharply reduced turnover of NZ$9.7m (NZ$46.6m).

AUSTRALIA recouped most of an early drop triggered by a weak futures market. The All Ordinaries index finished at 1,572.4, down 1.8, after turnover of A$193m (A$223m).

TNT receded 3 cents to 82 cents on profit-taking following its recent sharp rise.

HONG KONG ended higher after a volatile day. The Hang Seng index added 17.75 at 4,009.58 in turnover of HK$1.4bn, after Tuesday's HK$1.3bn.

The property sector was depressed by talk that banks would tighten their mortgage policies to dampen any speculation on future sales of major residential developments.



MANILA was concerned about the possibility of higher interest rates. The government's decision to lift a travel ban against former First Lady Imelda Marcos and her family came after the close and could weigh on trading today. The composite index dipped 4.57 to 1,017.15 in turnover of 102.6m pesos, after 120.3m.

KUALA LUMPUR ignored gains on Wall Street and in Tokyo and ended virtually unchanged. The composite index edged up 0.26 to 602.82.

Plantation issues continued to be weighed down by reports that US soyabean growers could displace Malaysian palm oil shipments to India. The sector index fell 12.33 to 1,079.81.

SINGAPORE ended down but off the day's lows. The Straits Times Industrial index lost a net 3.41 at 1,482.87 in turnover of S$98.10m, up from S$80.92m.

TAIWAN finished lower in moderate trading. The weighted index rose as high as 5,282 early in the day on a firm banking sector but late selling pushed it down to close 49.77 off at 5,178.06. Turnover came to T$29.92bn (T$26.96bn).

JAKARTA rose afresh on selective foreign buying but turnover was low. The index firmed 1.16 to 339.96 amid volume of 3.96m shares.

Kalbe Farma's underwriters made the most of the mildly bullish sentiment to give support to the issue on its second day of trading.

BOMBAY recovered from an early low to end mixed. The BSE index rallied from 1,606.79 to 1,632.67, off 14.33 on the day.

SOUTH AFRICA

INDUSTRIAL shares led Johannesburg higher despite a recovery in the financial rand. The industrial index jumped 44 to a new high of 4,085 while the all-gold index closed 28 higher at 1,327. The all-share index rose 35 to 3,491.

EUROPE

German banks continue their return to favour

GERMANY's banks continued their return to favour yesterday, but their counterparts elsewhere in Europe seemed mostly unwilling to go along, *writes Our Markets Staff.*

FT-SE Eurotrack 100 - Jul 31

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1109.89	1109.99	1110.62	1110.66	1110.89	1110.62	1110.34	1110.04

Day's High 1111.26 Day's Low 1109.05

Jul 30	Jul 29	Jul 26	Jul 25	Jul 24
1107.96	1104.82	1105.03	1111.51	1113.02

Base value 1000 (26/10/90)

FRANKFURT concentrated on banks for the third day in succession as first-half results appeared from Dresdner, and in anticipation of a good performance from Deutsche Bank when it produces its interim report today.

The Bavarian banks continued to gain on the results from Bayernverein, which led the season and rose another DM8.50 to DM404 for a three day gain of DM23.50. Commerzbank, which showed an 18 per cent rise in partial operating profits last Friday, put on DM6.50 to DM252; and Deutsche, expected to show a 16 to 17 per cent profits gain, closed DM7 higher at DM633.80.

Dresdner ended only DM1 higher at DM358.50. Mr Ian McEwen, a banking analyst at Flemings Research, said that it had underperformed the rest of the sector with a 12 per cent rise in partial operating profit; it had also said that it would only produce a 7 per cent gain in total operating profit, whereas other banking groups were doing better at that level.

The DAX index rose 7.38 to 1,622.31 after a 3.61 rise to 676.53 in the FAZ at midsession. Volume rose from DM3.6bn to DM4.7bn.

Allianz, with its Dresdner stake raised to 23 per cent, ended DM25 lower at DM2,160. Analysts were unwilling to concede that the share price weakness in either related to the crossholdings, although Dresdner said yesterday that it viewed the Allianz holding as defensive. The insurer said on Tuesday that its second quarter earnings fell by 13 per cent.

AMSTERDAM saw activity in the second-liners. The CBS tendency index closed 0.3 down at 93.2.

The computer systems maker, HCS Technology, returned to the market after a four-day suspension on request of the company during which its main shareholders and leading bankers agreed to provide a capital injection. HCS shares tumbled to an intraday low of Fl 1.80 before closing Fl 1.40 lower at Fl 2.60. The price could bounce in the short term as dealers cover their large short positions.

Borsumij Wehry remained weak after Tuesday's heavy fall in response to a profit warning from the company. The stock fell Fl 1.20 to Fl 67.50. It seemed to have chart support at Fl67 but analysts were still wary about the fundamental outlook.

KNP fell Fl 1.10 to Fl 53.80. BZW has put the stock on its sell list because it is pessimistic about second half earnings; the interim report is due on August 16.

VMF Stork rose Fl 1.30 to Fl 45.10. In an interview with a Dutch newspaper the company chairman dismissed analysts' pessimistic earnings forecasts and said that order intake was higher in the first half of 1991 than in the year-ago period and that there would be further profit improvement in the whole of 1991.

PARIS was quiet for most of the day but then enjoyed a flurry of options-related activity in the last 15 minutes of trading. The CAC-40 index ended 1.86 lower at 1,754.73 in respectable volume of FFr2.04bn, after Tuesday's minimal FFr1.14bn.

Elf Aquitaine was the day's most active stock, rising FFr4.20 to FFr351.70 in heavy trading of 449,600 shares, most of it linked to the expiry of options yesterday.

Peugeot continued to be weak, falling FFr6 to FFr571 in 114,075 shares, on fears that its chairman might resign over his disagreement with the government over a proposed EC accord on Japanese car imports.

OSLO got more support from Hafslund Nycomed, after its strong first half results. The all-share index rose 6.42 to 512.00 in turnover of NKr504m, and Hafslund A ended NKr6 higher at NKr212.

MILAN was encouraged by firmer foreign markets but trading was thin. The Comit index added 3.47 to 573.38 in volume estimated around Tuesday's L63bn.

The banking sector continued to feature. Banca Commerciale Italiana rose L55 to L4,880 while Banco di Napoli firmed L65 to L1,975, and reached L2,000 on after-hours news of a capital increase.

ZURICH moved quietly into today's holiday for Switzerland's 700th anniversary, the Crédit Suisse index closing 1.8 higher at 545.2. **MADRID**'s general index eased 0.16 to 269.35 as a James Capel technical assessment described the market as generally oversold.

STOCKHOLM was underpinned by blue chips. The Affärsvärlden general index rose 6.4 to 1,116.6 in thin volume of SKr246m after SKr253m. **HELSINKI** registered its tenth increase in successive days, the HEX index rising 6.37 to 1,027.61 for a 5.2 per cent rise since July 17. **ISTANBUL** leapt 5.1 per cent after Mr Ekrem Pakdemirli, deputy prime minister in charge of the economy, said that it was time to buy shares. The index rose 148.50 to 3,041.44.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JULY 30 1991								MONDAY JULY 29 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	148.17	+0.6	130.72	129.07	134.85	128.34	+0.2	5.09	147.24	130.36	128.58	134.19	128.09	148.17	112.74	147.50
Austria (20)	175.78	+0.2	155.08	153.12	159.98	159.31	+0.0	1.74	175.45	155.34	153.22	159.90	159.36	222.37	167.00	283.28
Belgium (49)	127.69	+0.3	112.65	111.21	116.20	113.67	+0.3	5.19	127.33	112.74	111.18	116.04	113.36	151.20	121.73	159.94
Canada (115)	140.25	+0.4	123.73	122.16	127.63	116.94	+0.7	3.23	139.63	123.63	121.93	127.25	116.17	142.27	126.49	140.18
Denmark (37)	252.45	+0.1	222.72	219.90	229.75	232.36	+0.1	1.52	252.14	223.25	220.19	229.80	232.17	270.56	217.74	277.62
Finland (16)	99.60	+0.8	87.87	86.76	90.65	67.80	+0.5	2.74	98.86	87.53	86.33	90.10	67.32	125.15	90.00	138.04
France (110)	128.95	+0.0	113.77	112.32	117.35	120.46	−0.1	3.69	128.96	114.18	112.61	117.52	120.56	152.26	120.60	162.45
Germany (65)	106.44	+1.2	93.91	92.73	96.87	96.87	+1.0	2.32	105.19	93.14	91.87	95.87	95.87	125.35	102.03	144.63
Hong Kong (55)	167.45	−0.4	147.73	145.85	152.40	166.67	−0.3	4.16	168.05	148.79	146.75	153.16	167.24	168.75	119.62	142.75
Ireland (19)	154.76	+0.8	136.54	134.81	140.85	142.67	+0.8	3.50	153.51	135.92	134.06	139.91	141.47	182.46	132.88	186.05
Italy (77)	74.07	+0.3	65.35	64.52	67.41	72.36	+0.2	3.23	73.84	65.37	64.48	67.29	72.18	88.23	69.89	109.20
Japan (474)	131.30	+1.5	115.84	114.37	119.51	114.37	+1.2	0.74	129.41	114.58	113.01	117.95	113.01	146.97	118.35	145.96
Malaysia (68)	226.46	−0.9	199.79	197.25	206.09	243.06	−0.9	2.75	228.52	202.33	199.55	208.26	245.20	247.78	192.83	249.96
Mexico (16)	1121.70	−0.6	989.60	977.06	1020.84	3698.23	−0.6	1.47	1128.85	999.48	985.79	1028.82	3721.82	1152.58	534.45	551.98
Netherland (31)	138.64	+0.8	122.31	120.76	126.17	124.87	+0.7	4.29	137.60	121.83	120.16	125.41	124.07	145.73	125.70	148.72
New Zealand (14)	48.44	+2.7	42.73	42.19	44.08	44.97	+2.6	6.77	47.15	41.74	41.17	42.97	43.85	54.64	41.18	67.09
Norway (32)	194.81	+0.5	171.87	169.70	177.30	180.80	+0.6	1.62	193.93	171.70	169.35	176.74	179.71	223.24	182.24	267.27
Singapore (38)	196.27	−0.5	173.16	170.96	178.62	158.01	−0.6	2.16	197.30	174.69	172.30	179.81	159.02	208.25	151.63	207.42
South Africa (61)	241.36	+4.1	212.94	210.24	219.65	172.97	−0.7	3.16	231.90	205.32	202.51	211.34	174.21	258.85	173.00	187.78
Spain (54)	147.13	+0.0	129.80	128.16	133.90	122.16	−0.1	4.42	147.20	130.33	128.55	134.15	122.27	171.12	131.51	179.28
Sweden (27)	189.76	+0.1	167.42	165.30	172.71	178.39	+0.1	2.49	189.60	167.87	165.56	172.61	178.17	204.12	146.60	233.96
Switzerland (58)	92.43	+0.5	81.54	80.51	84.13	87.59	+0.3	2.20	91.94	81.40	80.29	83.80	87.35	100.67	82.17	107.81
United Kingdom (240)	174.06	+0.4	153.56	151.60	158.40	153.56	+0.0	4.78	173.41	153.53	151.42	158.03	153.53	187.44	156.27	174.97
USA (526)	156.59	+1.0	138.15	136.40	142.52	156.59	+1.0	3.09	155.08	137.30	135.43	141.34	155.08	158.24	125.95	143.51
Europe (835)	136.62	+0.4	120.53	119.01	124.34	123.00	+0.2	3.88	136.02	120.43	118.78	123.97	122.72	151.52	125.50	157.65
Nordic (112)	185.56	+0.2	163.71	161.63	168.87	165.90	+0.2	1.97	185.25	164.02	161.78	168.84	165.60	200.81	155.55	223.08
Pacific Basin (718)	132.67	+1.3	117.05	115.57	120.74	116.02	+1.1	1.09	130.93	115.93	114.34	119.33	114.79	145.92	117.86	145.81
Euro – Pacific (1553)	134.57	+1.0	118.72	117.21	122.47	119.61	+0.7	2.22	133.28	118.01	116.38	121.46	118.74	147.66	121.29	151.02
North America (641)	155.50	+0.9	137.18	135.46	141.54	153.92	+1.0	3.10	154.04	136.38	134.53	140.41	152.45	157.04	125.91	143.21
Europe Ex. UK (595)	114.45	+0.5	100.97	99.71	104.18	105.43	+0.4	3.19	113.88	100.83	99.47	103.81	105.02	129.80	106.85	145.62
Pacific Ex. Japan (244)	146.20	+0.1	128.98	127.37	133.07	130.46	−0.1	4.31	146.05	129.32	127.56	133.13	130.56	146.58	111.40	143.19
World Ex. US (1745)	136.46	+1.0	120.39	118.88	124.20	120.97	+0.7	2.26	135.11	119.62	118.00	123.14	120.13	148.16	122.32	151.25
World Ex. UK (2031)	139.19	+1.1	122.80	121.25	126.69	129.96	+0.9	2.32	137.72	121.94	120.28	125.53	128.61	145.77	120.06	144.70
World Ex. So. Af. (2210)	141.58	+1.0	124.91	123.34	128.88	131.84	+0.8	2.56	140.24	124.17	122.48	127.83	130.77	148.86	122.92	147.14
World Ex. Japan (1797)	149.37	+0.8	131.78	130.12	135.96	141.91	+0.6	3.43	148.23	131.24	129.45	135.11	141.06	152.83	126.69	149.59
The World Index (2271)	142.23	+1.0	125.48	123.90	129.45	132.19	+0.8	2.57	140.83	124.69	122.99	128.36	131.15	149.01	123.28	147.38

Constituent changes with effect 1/8/91: Deletions: La Henin (France) and Jacob (W. & R.)(Ireland). Latest prices were unavailable for this edition.

FINANCIAL TIMES SURVEY

BUSINESS AIR TRAVEL

SECTION III

Thursday August 1 1991

Airlines compete for business travellers with a panoply of inducements – but passengers still face delays because of congestion. Many airports are reaching saturation point while air traffic control is in urgent need of modernisation and investment. Paul Betts reports

Slump boosts competition

Airlines have been renewing their aircraft fleets with new long-range airliners. Boeing's latest jumbo: the 747-400

Glyn Genin

THE airline industry is still struggling to recover from one of the worst downturns in its highly cyclical history. The Gulf crisis, combined with the economic recession, has had a devastating impact on air travel and on airline balance sheets.

International passenger traffic fell by 12 per cent during the first five months of this year compared with the same period last year. At the height of the Gulf war it was down by as much as 25 per cent.

The past few months have seen a modest improvement, but traffic has so far failed to rebound to more normal growth levels and the industry does not expect any significant pick-up until later this year or perhaps 1992. In April, international passenger traffic was still 11 per cent below the levels of 1990; in May it was 5 per cent down.

The slump, coupled with increasing liberalisation in world air travel, has had the inevitable consequence of intensifying competition and accelerating the process of consolidation in the industry. "The industry will become even more competitive with the medium and smaller sized carriers facing the stiffest challenges to survive in the marketplace," recently warned the International Air Transport Association (Iata), which groups together 200 airlines.

Competition has been particularly fierce for high-yielding business travellers on whom airlines have traditionally relied for a large slice of their income. Airlines have been fighting to attract businessmen with a panoply of inducements and new services.

They have been improving first class and business services; expanding increasingly popular business class cabins with more comfortable seats and more leg room; renovating executive lounges at airports; offering bonuses on frequent flyer loyalty schemes and free trips for partners flying with a full fare-paying passenger; providing greater choice of meals from haute cuisine to health food as well as limousine and helicopter services to and from airports; and in the case of one airline a manicure and head massage service in business class.

On long distance routes, the demand for non-stop services has meant that airlines have been renewing their aircraft fleets with new long-range airliners. On short-haul routes, the trend has been towards new wide body aircraft to beat growing congestion in the air and on the ground. A number of airports have now reached saturation point while air traffic control, especially in Europe, is in urgent need of modernisation and investment.

Even in the current downturn, passengers are continuing to face delays because of congestion at busy airports caused by inadequate infrastructure.

The aircraft manufacturers and the airlines have repeatedly warned that unless these infrastructure problems are resolved, the eventual recovery in air travel could be seriously undermined. Several recent surveys have also shown that businessmen regard punctual departures and arrivals as the single most important consideration when travelling, followed by the frequency of flights, the price of air fares, and rapid and efficient access to and from airports.

These issues have become all the more important for the industry because of changing attitudes to business travel. "The Gulf crisis forced many travellers to rethink their approach to taking the plane," explained Mr Gunter Eser, the Iata director-general, after his organisation published a survey of business travellers in the wake of the Gulf war. The survey showed that about one third of the businessmen interviewed on both sides of the Atlantic had reduced their travel during the war, many by at least 50 per cent.

The main reasons for the cutbacks were the general economic situation, company policy to limit travel during the crisis and, particularly in Europe, reduced travel budgets.

"There is some worrying news here for the airlines," Mr Eser said. "Economic considerations were a major factor in determining whether these people take the plane, and the outlook is not good in some key countries – the US, Canada and the UK, for example – in the short term."

The Iata survey also revealed that about 75 per cent of businessmen felt there was no real substitute for air travel. This implied that 25 per cent believed there was a substitute. Indeed, a large number of businessmen interviewed felt that the telephone or the fax could provide a possible substitute for air travel. In Europe, airlines have also started to face competition on short-haul routes from new high-speed rail links.

Pressure on travel budgets has seen a large proportion of businessmen trying to reduce overall travelling costs by trading down their tickets. Those who would usually have flown first class are now opting for business class, while on shorter routes many business class passengers are moving down the aircraft to economy. British Airways said that premium cabins such as first and business class continued to show the biggest falls in passenger volumes.

In contrast, volumes at the back end of the aircraft were now holding up quite well. But this was small consolation for airlines since yields in economy were extremely low, especially with the increase in competition and the heavy discounting on some leading routes with the introduction of new airline services and greater liberalisation in air travel.

This has been the case on the North Atlantic in particular, following the British government's decision to increase competition at London's Heathrow airport – the world's busiest in terms of international passenger volumes – and the new, more liberal, bilateral aviation agreement between the UK and the US.

Bilateral aviation agreements are expected to become increasingly liberal and are likely to be replaced eventually by multilateral agreements between large trading blocks. There are already indications that the European Commission will assume at some stage an active role in multilateral negotiations on future air agreements with the US or Japan as part of the process of establishing a single market for European air transport.

European airline liberalisation is entering its final phase with the EC's third package of measures aimed at opening up European skies by January 1993. This is ultimately expected to introduce greater competition in European air travel. But as Sir Michael Bishop, chairman of British Midland Airways, the UK airline, recently warned, many obstacles still remain in the way of further liberalisation of European air routes, including the difficulty for new entrants to penetrate the market because of the dearth of take-off and landing slots at congested airports.

A report on business air travel in Europe published by British Midland claims that businesses are paying up to 30 per cent too much for their air fares in Europe because of insufficient choice. The report says business travellers on transatlantic routes are now fairly well off because passengers travelling from Heathrow to New York, for example, can choose from the regular services of four carriers.

"Each of those airlines has to fight tooth and nail for their custom through highly competitive fares and by all types of service inducements," it says. In contrast, 12 of the 15 busiest routes from Heathrow to Europe are operated by just two airlines, the national flag carriers of the two countries concerned. In most cases, these carriers provide nearly identical frequencies and identical business air fares.

IN THIS SURVEY

Editorial production: Phil Sanders

BUSINESS AIR TRAVEL 2

Paul Betts reports on a fierce transatlantic struggle

Battle for passengers

A BATTLE ROYAL is being engaged over the North Atlantic. Since the beginning of the current summer air travel season, carriers on both sides of the Atlantic have been waging a fierce war to win passengers and market share in one of the potentially most lucrative sectors of the world airline market.

Increasingly liberal bilateral aviation agreements between the US and European countries and the British government's recent decision to abolish old rules restricting access to London's Heathrow airport – the world's busiest international passenger airport – have helped unleash a new era of competition on transatlantic routes.

Airlines have been multiplying special offers of low fares and other inducements in a blitz of newspaper advertisements and television commercials to attract new customers. New carriers have entered the market, while others have expanded their services and opened new routes.

The slump in air travel caused by the the Gulf crisis coupled with the economic recession has further intensified competition, especially for high fare-paying first class and business class passengers. But the underlying reason for the new climate of competition on the transatlantic market is the air transport liberalisation process which has been taking place on both sides of the ocean.

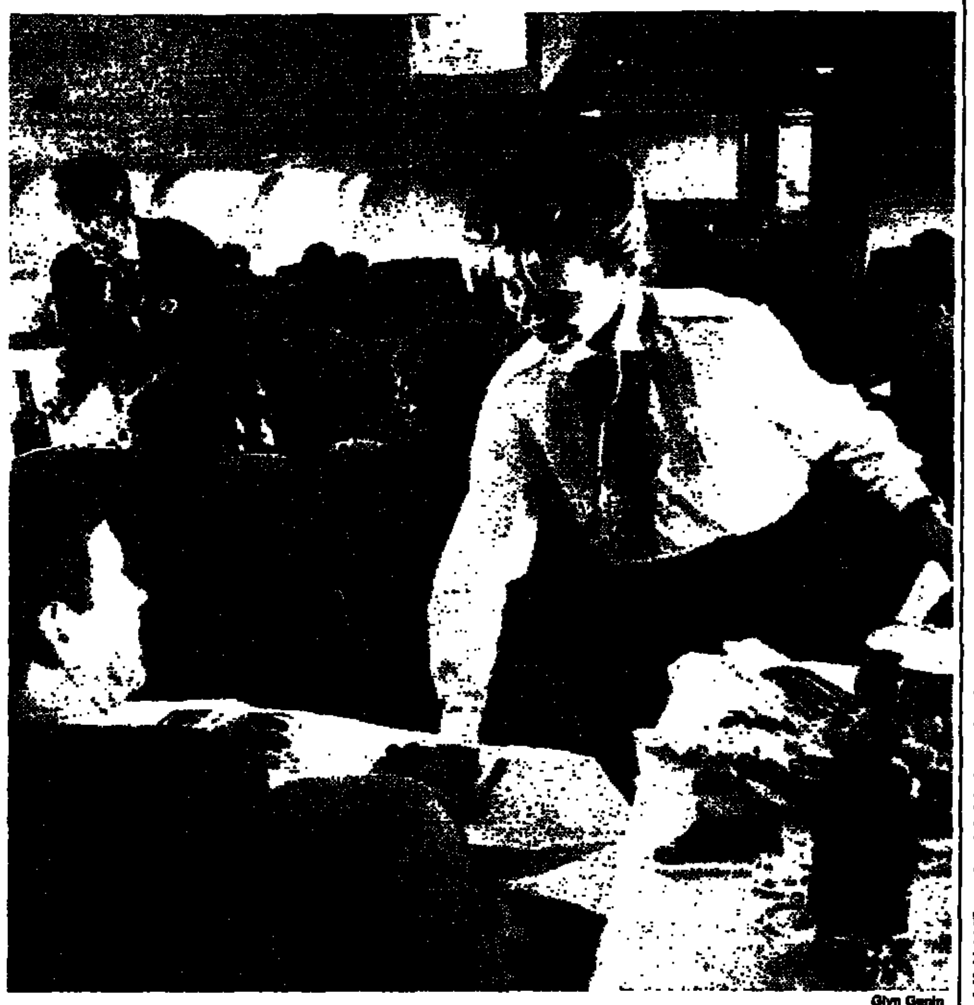
The US took the lead 10 years ago by deregulating its domestic market, which accounts for about 40 per cent of world air travel. It is now carrying this process forward in the international market. "The US will continue to work to deregulate international aviation markets and push the doors wide open to free and unfettered competition for air transport around the world," Mr Samuel Skinner, the US transport secretary, recently said in a speech in London.

Mr Skinner also said this would inevitably lead, over time, to a genuine globalisation of airline companies similar to the multinational trends which have already affected many other important industries. Moreover, the US airline industry, currently undergoing a new phase of consolidation, has also been increasingly looking at international markets, and especially at the European market, for future growth.

During the past few years, US carriers have been expanding rapidly into the European market. The move reflects not only their efforts to seek new long-term growth opportunities but also to position themselves for the liberalisation of the European Community air transport market next year. The drive into Europe has been led by a new breed of giant US carriers such as American Airlines and United Airlines which have grown as a result of deregulation in the US market at the expense of weaker airlines.

Barely seven years ago, American Airlines did not operate a single service across the Atlantic. Since then, it has built up an extensive network from its US hubs to most leading European cities. United expanded into Europe even later.

With the acquisition of Pan American's London routes last year for $290m, United has now emerged as a leading force on the transatlantic market.



Passenger care: inducements for travellers range from bigger seats to lower fares — Glyn Genin

American has retaliated by acquiring some of TWA's London routes for $445m. Other airlines such as Delta, Northwest, and Continental have also been expanding into the European market.

In turn, European carriers have also been seeking to increase their penetration of the US market by either negotiating new co-operation agreements with US airline partners or, in some cases, acquiring direct stakes in US carriers. Indeed, European airlines have been pressing the US authorities to relax restrictions on foreign ownership of US airlines to enable them to forge broader associations with US carriers.

After long and difficult negotiations, the two governments finally agreed on a compromise

At present, foreign carriers can acquire up to 49 per cent of the shares in a US carrier but only 25 per cent of its voting stock. But Mr Skinner said the Bush Administration would support a change in the law to allow foreign investors to acquire up to 49 per cent of the voting stock of a US airline company.

The UK government's recent decision to abolish most of the London air traffic distribution rules, and the renegotiation of a new bilateral aviation agreement between the UK and the US, have also played a significant role in intensifying transatlantic competition.

Mr Malcolm Rifkind, the UK transport minister, has now opened up London's Heathrow airport to all carriers. Since 1977, new entrants had been prohibited from flying in or out of Heathrow. The restriction was originally designed to encourage greater use of Gatwick, London's second airport, and ease Heathrow's increasing congestion. But the old Heathrow rules clearly threatened to distort the UK's "open skies" policy and undermine the government's efforts to promote a multi-airline industry in the UK.

The UK government's decision was applauded by Mr Richard Branson, owner of Virgin Atlantic Airways, the fledgling UK long-haul carrier. "This is an incredible day for airline competition", Mr Branson said when he heard the news that the Heathrow restrictions had been scrapped. Not surprisingly, British Airways was unhappy by the decision to allow new competitors into the airline's traditional home base.

Virgin Atlantic, which had been restricted until this year to operate out of Gatwick, has now launched new transatlantic services from Heathrow to New York and Los Angeles and intends to expand its Heathrow services during the next few years.

At the same time, the UK government's decision cleared the way for American Airlines and United Airlines to start operating services to Heathrow. Even though the two US carriers had acquired the Pan Am and TWA Heathrow routes in multi-million dollar deals, they were still barred from flying into London's leading under the old regulations.

The rights for United and American to replace Pan Am and TWA at Heathrow were also at the centre of the renegotiations of the UK-US bilateral air service agreement, known as Bermuda 2. After long and difficult negotiations, the two governments finally agreed earlier this year on a compromise whereby the UK allowed American and United to replace TWA and Pan Am at Heathrow in return for Washington granting greater access for UK carriers into the US market.

Although airlines on both sides of the Atlantic criticised the new US-UK bilateral agreement, Mr Skinner believed the new pact broke fresh ground.

"In the Heathrow agreement, we made available the so-called seventh freedom rights to UK airlines. What that means, for example, is that BA would be able to fly between Germany and the US without having to stop en route in London as more traditional rules require," he said. A UK carrier could now also purchase a significant stake in a German carrier and operate it as a German-designated carrier without provoking any complaints from the US.

But the main point, Mr Skinner emphasised, was that transatlantic aviation was taking on a new look.

"We are moving towards stripping away the artificial constraints of bilateral agreements and allowing airlines on both sides of the Atlantic at least to exploit the true economic potential of the transatlantic market in a far more effective way. In a sense, the Heathrow agreement heralds the inevitable transition away from the bilateral process to a multilateral one," he added.

Mr Karel van Miert, the European Commissioner for transport, is also in favour of a multilateral system of negotiating future aviation agreements between Europe and the US with the EC now merging into a single aviation market. This is likely to be one of the most important long-term developments in further liberalising transatlantic air services and moving closer to real "open skies".

In turn, this will inevitably intensify competition even more in this important market. To a large extent, the dog fight over the Atlantic has only just begun.

EC airlines are fighting for traffic, writes **Michael Donne**

Competition gets tougher

THROUGHOUT western Europe, the major airlines, including the major trunk carriers and the smaller regional airlines, remain deeply concerned about their sagging revenues in the wake of the continued economic recession and the impact of terrorist fears generated by the Gulf War.

With traffic down by more than 25 per cent and load-factors – the percentage of seats sold – reaching an all-time low of 35 per cent on some intra-European scheduled routes, the airlines collectively have had their worst winter and spring on record.

The recovery, although now undeniably in progress, continues to be slow. According to the Association of European Airlines (AEA), which represents 22 of the major European carriers, it will take the airlines some time – possibly not until later next year – to fully restore their position.

The AEA points out, for example, that its members collectively lost more than $100m in the first week alone of the Gulf fighting and have lost more than $2.5bn so far this year. It is estimated by the International Air Transport Association (Iata) that collective losses for its own 200 airline members of some $2bn in 1990 will rise to some $4bn in the current year.

Even the biggest and strongest operators are suffering – the recent 1990-91 annual report for British Airways showed that in Europe as a whole (including UK domestic operations), on revenues of over £1.9bn there was a deficit of £34m although total group revenues of more than £4.9bn produced a surplus of £167m.

Yet the long-term potential for revenue – and hopefully profit – is considerable, with air passenger numbers expected to double over the next decade. A recent white paper produced by the AEA on "Air Transport and the Internal Market" showed that in 1989 the total value of output of the air transport industry in the European Community was some Ecu42bn or 1 per cent of the aggregate Gross Domestic Product of the EC. The sector was employing 320,000 personnel, excluding those employed at airports, in air traffic control and in other services outside the airlines themselves.

Although the long-term outlook may be brighter, competition is tough and getting tougher with more than 160 airlines in the EC fighting for the available traffic let alone those from countries outside the Community. The AEA's 22 members account for more than two thirds of the passengers carried.

The main trunk airlines especially want to see more of the higher-fare business travellers at their check-in desks, and they are luring them with all kinds of inducements.

The most widely-publicised include increased space in business-class cabins, meals even on short flights, separate check-in desks and executive lounges: overall it can fairly be argued that most airlines are upgrading their standards of passenger care.

But what they still do not seem to be able to offer is what business travellers and their employers would most like to see: significantly reduced fares. This is despite frequent promises of such an improvement to come as a result of the increased competition expected to emerge from the progressive but still slow deregulation and liberalisation of European air transport as 1993 and the single European market loom closer.

In-flight meals are being offered on shorter journeys — Glyn Genin

Where fares cuts are concerned, the airlines face considerable difficulty. While they do trim fares from time to time, overall cuts of the magnitude that business travellers want to see are not likely to emerge for some time to come, if at all.

This is because although the airlines' productivity (in terms of revenue tonne-kilometres produced per employee) has been rising at an average yearly rate of 3.8 per cent during the past 10 years, the airlines' costs remain relatively high due to many factors outside their control.

These factors include fuel prices (although these have now fallen back sharply from the very high levels reached late last year as a result of the Gulf crisis), airport landing and handling charges, air traffic control costs, increased safety and security charges, and losses incurred through delays arising from congestion in the air and on the ground due to inadequate infrastructure facilities such as terminal buildings, runways and air traffic services.

Coping with all these problems in the period immediately ahead will be among the airlines' major tasks. But the situation will be made more difficult by the need for a big economic restructuring of the air transport industry itself to help it meet the fiercer competitive conditions not only inside the single European market but also from the big US carriers outside it.

The Channel Tunnel, with its accompanying high-speed rail networks throughout Europe will also be a serious competitive factor – the AEA has estimated that 110 existing international "city-pair" air routes in the EC will be affected by high-speed trains, with almost 20 per cent of the air traffic on those routes being diverted.

One result seems likely to be the emergence of larger groups of individual airlines, either through mergers or inter-airline liaisons, some of which, such as British Airways link with Sabena of Belgium, are already under discussion.

It remains to be seen how far the EC itself will permit such concentrations at a time when its overall air transport policy is dedicated to increasing competition.

Moreover, many commercial organisations have discovered that more business can be conducted without travelling, by making more use of faxing and teleconferencing, resulting in severe and perhaps permanent reductions in travel budgets.

At the same time, various other EC measures now under consideration such as the imposition of VAT on airline tickets and the abolition of air travel duty-free sales threaten to cost the European airlines directly some $1.7bn in lost revenues annually. Such moves are being resisted strongly, but many people believe they will be implemented eventually. British Airways has estimated that VAT alone would add between 4 and 9 per cent to ticket prices, while the withdrawal of duty-free would cost some $700m. Such losses would have to be recompensed with higher, not lower, fares.

The battle for the business travellers of the future, therefore, will most likely have to be fought with other weapons than cheaper fares – such as an ever-improving quality of passenger service.

Notwithstanding the problems of airport congestion, airlines and airport authorities will have to give much more consideration than at present to speeding passenger flows on the ground, with slicker and smoother passenger handling overall – too many flights are late departing because boarding starts too close to published departure times.

Every airline will have its own response to such problems but it seems likely that only those carriers paying most attention to the concept of higher quality of service will survive in the fiercer competitive arena of the next few years.

David Churchill on frequent flyer programmes

Bonuses for loyalty

THE ARRIVAL of new transatlantic competition in the form of United and American Airlines has brought with it an unexpected bonus for the business traveller: frequent flyer programmes.

This US customer loyalty system – whereby every flight taken with a particular airline gains bonus points to be used for free leisure travel or other rewards – is emerging as a crucial part of the marketing war between transatlantic carriers.

Even British Airways, which has traditionally eschewed frequent flyer programmes, has now been forced to join in the fray. Its Air Miles consumer promotion, set up in 1988 to fill empty airline seats by persuading high street retailers to use the lure of free travel as a sales promotion, has now been extended to meet the challenge from US carriers.

"The success of Air Miles as a consumer incentive prompted us to develop a scheme that would reward our most valued customer, the frequent traveller," says Mr Liam Strong, BA's director of marketing and operations.

The BA programme, called Latitudes, is aimed primarily at the business traveller rather than leisure flyer, since points are awarded only on full-fare tickets in all classes and not on Apex or other budget tickets. Points – which are equivalent to air miles – are given according to the type of ticket bought. Thus domestic flights only qualify for 20 air miles and Club Europe 50. Club World generates 150 while First Class produces 225 miles.

A return economy ticket to Paris, for example, costs some 450 air miles but 6,800 air miles are needed for a return ticket to New York.

BA has also linked up with other suppliers, including Hertz car rentals and some airport parking services, to offer extra air miles. In addition, booking a flight through a NatWest Access, Visa, or Gold Mastercard gains an extra mile for every £10 spent.

So far about 100,000 frequent flyers have signed up with BA, and up to 500,000 are expected by the spring of next year.

BA's reluctance in the past to get involved with frequent flyer programmes is partly due to the experience of US airlines in recent years. The American traveller treats flying in much the same way as Europeans would catch a bus or a train; thus it became relatively easy for Americans to clock up frequent flyer points. One estimate suggests that more than 14m Americans have an aggregate of 700bn miles owing in various programmes.

One Florida couple accumulated 1.1m miles on programmes offered by Eastern and Continental Airlines: they exchanged them for a three-week world trip on Concorde.

The weakness in the concept gradually dawned on the airlines: in the rush to secure business after the de-regulation of the American airline industry, they made it too easy to clock up travel points. This, not surprisingly, led to the somewhat ludicrous position of some aircraft flying with only handfuls of fare-paying passengers, with the rest flying on accumulated points. The shake-up in the American domestic airline business over the past 18 months was partly the result of this simple question of economics.

But it is not only the airlines which have come to regret the whole frequent flyer game. Many business travel managers in the US are questioning the benefit of such schemes. They reason that the true cost of paying for all those free-flying passengers is higher fares for their travelling employees.

Moreover, many companies still have problems deciding whether or not to allow the individual executive to keep the frequent flyer points when travelling on business – as a sort of management "perk" – or whether these should be used by the company to enable other staff members to fly and thus reduce travel costs.

Yet such is the popularity of frequent flyer programmes with the travelling American public, that scrapping such schemes would prove difficult to achieve, however much the airlines would like to offload the burden. Some airlines have sought to soak up some of the outstanding points by allowing them to be used as part-payment for cars and other consumer goods. But it is "free" flying that most travellers seem to want.

The lessons of the US is one reason why BA is firmly limiting its frequent flyer programme to full-fare paying passengers. Mr Richard Branson's Virgin Atlantic airline, moreover, is concentrating its rewards programme for frequent flyers on non-flying rewards. "We don't have the problem of needing to fill empty seats," says Mr Steve Ridgway, managing director of Virgin's Freeway rewards programme. "We're trying to give our regular customers some genuine added value when they fly with us."

Virgin's Freeway programme offers just the sort of rewards to be expected from the Branson empire: apart from "free" flights it encompasses off-shore powerboating, flying lessons, a day at a health club, or a photo safari in Kenya. "The wackier the better," adds Mr Ridgway.

Virgin have also got together with other UK suppliers to provide a more comprehensive network for travellers to gather points to put towards a Freeway reward. Last spring, for example, Virgin linked up with Dan-Air to provide a frequent-flyer programme. The benefit from Dan-Air's point of view is that the Freeway programme does not incur unlimited future liability: when a flight is achieved through the programme this is bought by Freeway at a commercial rate.

Frequent flyer programmes, moreover, are not confined simply to airlines. Thomas Cook, for example, has an exclusive (membership by invitation only) card for frequent travellers called the Carte d'or, which gives a number of benefits – including $100,000 travel insurance and an emergency cash facility – to its frequent traveller members.

But airline schemes are what most travellers want. United Airlines, one of the clutch of new carriers now operating the transatlantic routes out of Heathrow, has just fired one of the early shots in what could be a new frequent flyer war on this side of the North Atlantic. Its First Class and Business Class passengers who are members of its Mileage Plus programme now get double mileage on US – London routes. In addition, frequent flyers can also have the opportunity to take a partner with them on a future round trip to the US, Canada or the Caribbean.

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*Based on consumer complaint statistics compiled by the U.S. Department of Transportation.

BUSINESS AIR TRAVEL 4

■ ASIA-PACIFIC

Carriers see long-term promise in the east

THE simmering row between British Airways and Virgin Atlantic over the availability of flights on the lucrative London-to-Tokyo route emphasises the potential which all the world's biggest airline carriers see for Japan and the Pacific Rim countries.

There seems little doubt that such is the planned growth of the region – estimated to account for a quarter of the world's gross domestic product by the end of the century – that there will be considerable expansion of business air travel in the long term.

Yet in the short term the Pacific Rim region – if less affected by the recession and war than the US and European markets – still appears fragile.

Work is under way to double capacity at Narita airport while an *entirely new airport* is being built at Osaka

"The Gulf crisis affected passenger volume most severely on our European and American routes," says Mr Keisuke Inui, chief operating officer of All Nippon Airways, Japan's largest airline.

"When the war ended, we thought that demand would recover completely by the end of June, but the after-effects of the crisis were worse than expected," he adds.

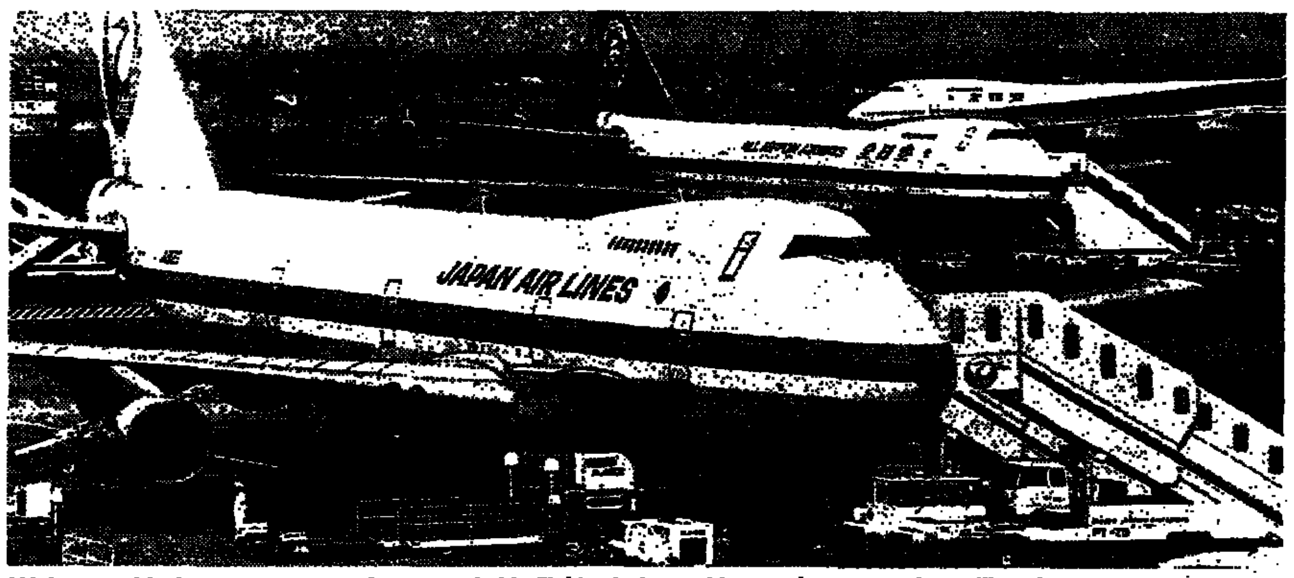
Trade estimates suggest that the Gulf war caused a 10 per cent slowdown in traffic out of the region, with a slightly smaller fall-off caused by the recession in the US and parts of Europe.

Yet Mr Inui firmly believes – as do the other Asian carriers – that the current slump is only short-term. "The Japanese market is especially rich in potential for growth in travel abroad: about 11m Japanese travelled abroad last year, with that figure set to grow to more than 20m by the end of the century," he predicts.

ANA has recently re-vamped its business class service to catch up with the very high level of service provided for business travellers throughout the region. Japan Airlines has also improved its business class seating – moving to a seven-across configuration, for example, instead of eight across – and upgraded its in-flight catering.

JAL is also one of the airlines experimenting with a satellite telephone service on some flights, along with perhaps a more useful in-flight fax facility.

JAL and ANA are well aware of the intense international competition to gain access to the Japanese business market. Some 46 other airlines operating from 36 countries have landing rights in Tokyo. Another 38 carriers are waiting in the wings.



JAL improved its business-class seating, upgraded in-flight catering and is experimenting with satellite telephones

Further international expansion into Tokyo has been held back by the restriction on traffic at Japan's main two international gateways in Tokyo and Osaka. Work, however, is already under way to double capacity at Tokyo's Narita airport, while an entirely new airport is being built at Osaka.

The problems of getting through the Tokyo traffic from Narita airport have been eased by the launch of an express rail link taking just 50 minutes to the centre of Tokyo. The train was designed with the international traveller in mind: announcements are in English as well as Japanese and there are local and international phone links aboard the train.

Japanese government restrictions on airlines make it impossible for carriers such as Virgin to offer individual limousine services from the airport, similar to that offered elsewhere in the world. Virgin says it offers a "limousine bus service" instead from Narita airport.

Its latest wrangle with BA over the Tokyo routes came last month when Mr Richard Branson, Virgin's chairman, applied to the UK's Civil Aviation Authority for two of BA's take-off and landing slots to Tokyo.

Virgin, which at present flies to Tokyo six times a week, asked the CAA for two more slots to operate a daily service. It also wanted the CAA to limit BA's total number of slots to Narita from 26 to 24.

It is seeking further BA slots at Narita because the Japanese authorities have refused to increase the total number of slots available for UK carriers. BA described the move as "a further example of Virgin seeking unjustified substitution of rights historically exercised by BA."

A previous application by Virgin for four BA Narita slots was granted by the CAA. A subsequent appeal by BA to Mr Malcolm Rifkind, the transport secretary, was turned down – one of the factors which led Lord King, BA's chairman, to tell shareholders last month that the airline would not in future make donations to Conservative funds.

Such wrangles probably do not unduly worry the frequent business traveller to south-east Asia, whose concern is mainly to arrive on time and in good shape. This has made non-stop flights the key factor for many executives when choosing an airline.

Cathay Pacific, the Hong Kong-based airline, recently started non-stop services to Hong Kong out of Heathrow using its new Boeing 747-400 series aircraft. Initially Cathay was flying out of Heathrow at 9 pm but has now scheduled in earlier departure times.

"The real attraction of an earlier departure for executives is the better choice of onward connections to Korea, Taiwan and Japan", explains Mr John Dance, Cathay's UK manager.

Australian airline Qantas has also taken advantage of its new Boeing 747-400 aircraft to speed its service out of the UK, with stopovers at Singapore and Bangkok before flying directly on to Sydney and Melbourne. "With 70 per cent of our passengers now being international and only 30 per cent Australian, compared with a 40-60 ratio a few years ago, it is important we meet the international demand with our routes," says Mr Wayne Pearce, Qantas UK manager.

Such wrangles probably do not unduly worry the frequent traveller to south-east Asia

One great advantage that both Cathay and Qantas have for the business traveller is that they fly out of UK regional airports such as Manchester direct to south-east Asia. But, increasingly, British executives located close to a UK regional airport with only limited access to Heathrow are flying into continental airports – such as Paris or Amsterdam's Schiphol – so as to catch connections to Asia.

David Churchill

■ US AIRLINES

Struggling in a sea of red ink

IT IS an unfortunate fact that there is an inverse correlation between the health of the airline industry and the conditions which the travelling public enjoys – at least on a short-term basis.

So while US airline executives generally have been battling against a sea of red ink during the past year, the opportunities for cheap travel, seat availability, increased opportunities to earn free "air miles" and so on, have been substantial.

From the airlines' viewpoint, the problem has basically been one of oversupply – made worse by the disruption to traffic and sudden surge in fuel prices which occured during the Gulf war, the continued existence of carriers which have sought bankruptcy court protection, a variety of labour problems, and pressure on costs generally.

Very simply, the economic recession in the US has seriously dented domestic traffic growth, although the international picture remains slightly more cheerful.

A number of US carriers, moreover, had entered the nineties with severely strained balance sheets – the product of the leveraged bid climate in the eighties and the susceptibility of the airline industry, with its strong cash flow and often attractive assets, to this type of activity.

As a result, the increase in fuel prices in the latter half of 1990 put an enormous squeeze on the industry, which duly lost more than $2bn in the fourth quarter of 1990 and a similar amount in the first three months of 1991.

A number of the more financially-frail carriers – such as Eastern Airlines, Pan Am and Trans World Airlines – were pushed to, or even beyond, their limits.

Eastern, already in bankruptcy, finally grounded its operations after Christmas. Continental Airlines, Pan Am, Midway Airlines and America West, all filed under Chapter 11 of the Bankruptcy Code. TWA embarked on – and is still engaged in – an ambitious debt restructuring plan.

But from a travellers' viewpoint, the short-term effect of this severe profits squeeze has been anything but unpleasant. Price-discounting has been rife, with many of the initiatives being started by the ailing carriers. This is understandable: the need to increase cash-flow becomes paramount.

The trend was, perhaps, most marked on the transatlantic routes when terrorism fears caused the flow of international business travel to dry up. At that stage, it was possible to fly return for as little as $300 and – for a short time at least – there was little problem in obtaining a seat. This level of discounting on international routes has now diminished, but on internal US routes bargains can still be found.

Airlines are also sometimes flexible about the "small print" conditions of these special offers – although they will never admit to this publicly. One ailing carrier, for example, recently offered a special deal on a New York-Los Angeles route but cheerfully waived the seven-day advance booking requirement, presumably in the hope of squeezing a little more traffic on what was ultimately a half-empty aircraft.

It is true that while the presence of financially-fragile carriers in the industry has benefited consumers in terms of ticket prices, it has not always made for the smoothest of journeys. Most dramatically, one could point to the dramatic Friday night shut-down of Eastern's operations which left ticket-holders with the hassle of rearranging their flights.

Rather more pervasively, the state of an airline's finances seems to bear some relationship to its ability to deliver passengers to their destination on time and without complaints.

This is a generalisation, and should not be pushed too far. But it is noticeable, for example, that the index for airline performance in 1990 quoted in the most recent issue of Business Travel News, included American, Southwest, United and Delta in the list of top six airlines. The bottom three comprised TWA, Continental and America West.

In the case of Eastern Airlines, moreover, even the safety question came into play. Its unions lobbied heavily in Washington, suggesting that the airline was negligent in its safety practices. Then, just as management was attempting to repair the damage done from these allegations, a grand jury indicted nine Eastern managers on charges of falsifying records to make it appear that repairs had been done when they had not.

In the longer term, there is little doubt that many airline analysts feel that the steady consolidation of the industry is reaching its final phase. New airlines, which surged into market after deregulation have slowly been absorbed. The recent bout of losses has forced others to sell off assets in the hope of survival.

Many pundits reckon that three airlines – Delta, United and American – will make up a new class of "super-carriers", with extensive domestic and international networks, although there may be more limited roles for a few other survivors.

The question is, will such a scenario push prices higher in the future, or will some greater measure of international competition come into play?

Nikki Tait

BUSINESS AIR TRAVEL 5

■ SUPERSONIC TRAVEL

Concorde flies on

FOR 22 years it has been the stuff of dreams: Concorde, the world's first and only commercial supersonic aircraft, came into its own during the boom conditions of the 1980s when it was more important to cross the North Atlantic in style, refreshed and on time, than to worry about the cost.

Top business executives such as Sir James Goldsmith, Lord Hanson, and Sir Hector Laing were all frequent flyers at twice the speed of sound in pursuit of expanding their business empires. For them – and others such as rock stars and sports personalities – the New York return fare of £5,000 was well worth the expense in return for the substantial savings in their time.

But in the cost-conscious 1990s all that has changed. For many companies, allowing their executives – however senior – to travel by Concorde has to be carefully weighed against other factors. Not least, for example, is whether the time savings are actually necessary and whether allowing the chairman to fly supersonic not only punches a hole in the travel budget but also causes discontent among more junior executives whose flying is restricted or down-graded to the back of the aircraft.

What do British Airways and Air France (the two operators of scheduled Concorde services) plan to do to make the aircraft more attractive to the business user in the 1990s?

The options are rather limited. Given the finite nature of Concorde – there are only 14 (seven with BA and seven with Air France) in operational service and each has only a maximum of 100 seats – there is little scope for expanding the present service in either frequency or destinations. In fact, the age of Concorde aircraft means that the time will soon come when BA and Air France have to consider carefully the life-spans for their remaining fleets and the availability of spares. They may have to decide to curtail the chartering of the aircraft for leisure trips.

Both airlines also have a problem in persuading business travellers that Concorde really does offer the sort of time advantage that can give them the edge in their work. The outward journey from London and Paris is clearly of most benefit to executives wanting to save time.

With a check-in only half an hour before departure (with only 50 to 70 passengers boarding a typical flight there are none of the delays when boarding a Jumbo), the executive on the 10:30 Concorde flight out of Heathrow will have been able to sort out his London desk before catching the flight and arriving at JFK at about 9:30 on the same morning.

The real drawback – as every seasoned traveller will know – is not in the actual flight time itself (which is where Concorde obviously scores) but at the airports at either end of the trip.

Heathrow's Terminal Four (where Concorde flies from) has become a disaster for business travellers who want to check in late because of the tight new security rules. Executives usually find themselves having to push through hordes of holiday travellers (somewhat akin to flying out of a Third World airport) or seeking the help of a BA staff member if there is going to be any chance of catching the aircraft at all.

At JFK airport in New York, the problem is firstly getting through immigration (although BA has worked hard to speed this up for Concorde passengers) and then getting into the city itself. Air France offers a complimentary helicopter service into Manhattan.

But even with all these drawbacks, it is still possible to breakfast in London's Savoy Hotel overlooking the river and arrive in New York feeling relatively refreshed in time for a business lunch.

The Air France outward-bound Concorde to New York leaves at 11am Paris time and arrives shortly before 9am New York time.

Few frequent business users of Concorde apparently take advantage of the in-flight meals which, given the cramped facilities, are perfectly adequate but just come at the wrong time of the day for the outward flight. It is either too late for breakfast or too early for lunch.

One of the other great advantages of Concorde – apart from the 3½-hour flight time – is that in spite of flying twice as high as a regular Jumbo, the Concorde cabin is actually pressurised at a much lower altitude. Thus the normal dehydration associated with a long-haul sub-sonic flight is barely noticeable to a Concorde traveller.

The only snag with the jet-setting Concorde scenario is that the actual elapsed body time of the outward journey means that by the evening, many executives are beginning to feel the time difference.

While flying out with Concorde from Europe to North America has clear benefits, these are not so obvious on the return leg. The 9:30 morning BA flight out of JFK does not reach London until 6:20pm local time. The 1.45pm flight out of New York is more popular: it allows a morning for work in the city – but it does not arrive until 10.25pm London time at Heathrow.

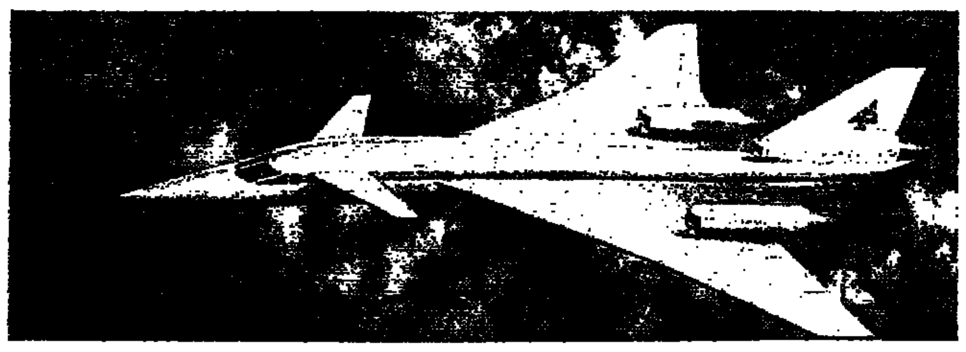
The return Air France flight leaves New York at 1pm and arrives in Paris at 11.45pm local time. This makes it too late for any on-going connection in Europe, so Air France puts Concorde passengers up overnight in the Meridian hotel (which it also owns).

While people who can afford to fly Concorde do not normally need to ask the price, the new era of tighter corporate travel budgets has seen Air France achieve a distinct price advantage over BA.

Air France, for example, will fly a UK executive out of Heathrow on the 7.30 morning flight to Paris in order to catch the 11am Concorde flight to New York for a single fare of just £1,826. (Return fares are double.)

This is significantly less than BA's one-way flight fare of £2,515 and even under-cuts BA's first-class fare of £1,935 on the same route.

"We can tell cost-conscious companies that if their executives are allowed to fly first class but not Concorde with BA, they can fly Concorde with us," says an Air France spokesman.



After Concorde? An artists's impression of a possible future supersonic business jet

But does Concorde have a future? "It clearly has a niche in the market for the traveller who needs to get across the North Atlantic in the fastest time possible," says Mr Colin Rainbow, commercial director of Pickfords Travel.

BA and Air France, moreover, continue to assidiously woo the top echelons of business to use the aircraft when possible, even to up-grading regular first class passengers to give them a taste of the fast life.

Yet all this may be in vain. After 22 years, Concorde will soon be beginning to show its age, whatever heroics the engineers achieve to keep it flying.

With the plans for a replacement supersonic aircraft still looking a long way off, the high-flying executive in the early part of next century may have to eschew the glamour of Concorde for more mundane sub-sonic travel.

David Churchill

■ BRITAIN

Market rivalry benefits flyers

THE CLOUD over UK domestic air travel caused by the Gulf war and recession has had one silver lining: the pressure on routes and Heathrow airline slots has been eased by the fall-off in demand.

Last autumn, for example, British Midland appealed against the Civil Aviation Authority's decision not to reduce British Airways' 14 flights a day on the London to Glasgow route. British Midland felt that BA had too many flights for the market and argued that it could not respond because of few slot times available at Heathrow.

But British Midland is now less worried by the imbalance. It feels it has enough flights at the moment on the London to Glasgow route with eight a day to meet market demand after the war and during a recession; it feels that BA is doing itself more harm than good in keeping 14 flights a day to Glasgow.

Such a view highlights the continuing intense rivalry between BA and BM in the domestic market – a rivalry which has seen BM chip away at BA's traditional dominance of its home market over the past decade. While such competition has been resented by BA as it has sought to expand its sights worldwide, the rivalry has undoubtedly been good for the business air traveller.

Air fares on the main domestic routes are more competitive than a decade ago and far more so than in comparison with those charged between European cities.

But it is the level of service that has changed beyond all recognition in the UK market as a result of competition. Only a few years ago, the chance of a meal or drink in-flight was almost impossible; now, the service for full-fare paying business flyers is much improved, although still not as good as many frequent business travellers want.

On British Midland's Diamond Service class for business travellers, for example, passengers are served hot or cold food depending on the time of the day, along with free wine and drinks. In addition, a wide range of morning and evening newspapers is available, with hot towels to freshen up before landing.

Three or four years ago to have provided hot towels on domestic routes would have been unthinkable; they were the prerogative of international air passengers on long-haul routes.

The competition brought about by British Midland meant that BA was forced a couple of years ago radically to upgrade its domestic shuttle services, providing meals and drinks on flights instead of the previous rather miserly catering.

BA, however, still retains its dominance of UK domestic routes with its generically-named Shuttle fleet. For full-fare paying business travellers, BA has retained its unique guarantee in the UK of a seat even if the aircraft is full by providing a back-up service.

While BA has improved its in-flight services in line with the competition and the airline's own philosophy of improving its value for money, it still believes that the frequent business traveller is primarily looking for speed, flexibility and reliability of service.

Hence BA brought in self-ticketing machines called "TimeSavers" to enable frequent flyers to buy their ticket and book their seat at the airport just 15 to 20 minutes before the flight, making use of a special booking card. BA has responded to criticisms that the system does not always work by extra effort on machine reliability as well as developing the same automatic facility through travel agents.

In spite of the competition between BA and British Midland, route prices between the two airlines remain fairly competitive at present. Neither airline wants to start off a new price war at present, given the fragility of the recovery post-war and the continuing impact of the recession.

Sir Michael Bishop, chief executive of British Midland, says that "a price war at this time is in nobody's interest." Where BM is competing, he adds, is on special deals for members of its frequent flyer Diamond Club.

BA at the moment, however, has been scoring a tactical advantage with the offer of triple Air Miles points on its Latitudes frequent flyer programme.

Alan Harper

Smaller airlines continue to thrive in the domestic market: Brymon Airways uses Dash 7s at London City airport

But the airlines are also constrained by market forces. "There is no doubt that the domestic airlines are facing tougher competition from the rail network," points out Mr Ron Spiers, director of the ABC World Airways travel guide. "This is why they are pushing to achieve brand loyalty through special schemes and so on," he adds.

Dan-Air, for example, which has secured a new lease of life in the UK following the demise of Air Europe earlier this year, is pushing new special benefits for business travellers including speedy check-in systems.

Passengers with hand luggage on its routes to Aberdeen, Manchester and Newcastle can organise their check-in for the return sector of their journey while at Gatwick. Seats are held until 15 minutes prior to scheduled departure.

Dan-Air is one of a number of smaller airlines which continue to thrive in the domestic market in spite of the competition from BA and BM and the impact of Heathrow now being open to all-comers.

While the greater de-regulation at Heathrow benefits BA and BM in providing regional services, the specialist regional airlines are having difficulty in finding and being able to afford Heathrow slots to provide connecting services with some of the smaller regional airports.

These airlines also provide some of the essential regional services which are unprofitable for the larger carriers with substantial overheads. Birmingham European, for example, took over the Birmingham to Belfast International route from BA and is now operating four times daily on weekdays using BAe 1-11jets.

During the 1990s it will probably be such specialist operators who will provide the main thrust in development of services.

BA's sights are firmly set, quite rightly, on its world-wide markets. British Midland's Sir Michael Bishop also has his eyes set on continental Europe: by 1995, he says, three-quarters of the airline's business will be in Europe, compared to 20 per cent at present.

For the business passenger, however, the benefits they seek will be faster handling on the ground and more reliable services. The airline that can best offer – and achieve – this will be the domestic airline that secures the business air traveller market in the 1990s.

David Churchill

BUSINESS AIR TRAVEL 6

Michael Donne reports on developments in air traffic control

Making the most of Europe's airspace

CONSIDERABLE efforts are being made throughout the UK and western Europe to improve the overall air traffic control system, to enable the air transport industry to cope with the anticipated long-term growth in traffic.

Airports and air traffic control (ATC)are heavily dependent upon each other – the best airport terminal in the world cannot function without adequate ATC while the traffic control system must be capable of handling everything that all the air terminals in a given area hand over to it. If either element is in any way inadequate, the air transport system as a whole seizes up.

Some time ago, the European Civil Aviation Conference (ECAC), representing the civil aviation interests of more than 20 countries in western Europe, drew up a strategy for the improvement of air traffic control in Europe, designed to meet an expected growth in traffic from 4m flights through the central ECAC area in 1990 to between 5m and 7m by the year 2000, or growth of between 7 and 9 per cent a year.

Although the recession and the Gulf crisis combined have created a hiatus in the situation over recent months, this is now passing and the original growth rates seem likely to be resumed soon. The need for improvements in air traffic control remains paramount.

ECAC ministers decided in October 1988 that air traffic "flow management" – the efficient handling of Europe's multitude of intersecting streams of aircraft – should be progressively centralised into a single control unit which is expected to be fully operational by about 1993. This is a vital step forward in making the best use of available airspace capacity in what is one of the world's most complex and active air traffic regions.

In addition to improving flow management, however, much work is being done to expand the capacity of the overall air traffic control system – fitting ever more aircraft into the available three-dimensional airspace with absolute safety.

Investment in equipment has been stepped up and is now running at a total ECAC level of more than Ecu700m a year. New communications and data links have been installed, new control sectors added, "crisis management cells" established and staff recruitment and training increased. The full benefit of these measures is only now beginning to be felt, as many of them require several years to take complete effect.

Eurocontrol, the existing central organisation for air traffic control in Europe, is playing a key role in all this and its importance in the future organisation of air traffic in Europe is assured. It has been selected by ECAC as the vehicle for creating the new centralised air traffic control system for much of western Europe, capable of expansion to include other countries later on.

London air traffic control at West Drayton. The UK is spending £750m on ATC improvements

Much work is being done to expand the capacity of the air traffic control system — as well as improving flow management

Under the leadership of Mr Keith Mack, formerly head of the National Air Traffic Services of Britain's Civil Aviation Authority (CAA), Eurocontrol is spending Ecu36m on the design phase of an advanced air traffic control system for western Europe. This phase is expected to be completed by 1995 when it will move into the implementation phase, costing some Ecu900m, and including detailed technical design, development, procurement and installation to be progressively introduced with completion set for around 2004.

By then, it is intended that Europe will have the most modern ATC system in the world, able to cope with the complex and expanding flows of traffic through more than 20 countries well into the 21st century. Meanwhile, in the UK, the CAA is spending £750m in an "Investing For Growth" programme covering more than 150 big ATC improvement projects, besides raising the number of controllers.

One element of great significance has been the development of a new control system called the Central Control Function (CCF), based on a "tunnels in the sky" concept of one-way aircraft arrival and departure routes for each of the airports in the south-east of England.

The CCF, based on a system already used in the busy New York and other US terminal control areas, involves bringing into service modern radar displays and uses improved technology to present information to the controllers. It is designed to streamline the controller's task and lead to an increase of more than 30 per cent in the airspace capacity over south-east England when it becomes fully operational in December 1995.

Already the first phase of the CCF has been inaugurated, moving the controllers who manage flights arriving at or departing from the London Terminal Area into a new operations room at the London Air Traffic Control Centre at West Drayton near Heathrow Airport. In a later phase, to be completed by 1993, the approach radar control functions at Heathrow, Gatwick and Stansted airports will be transferred to the new operations room.

When fully operational by the mid-1990s, CCF will benefit all air travellers using British airspace – not only those using the London airspace – because a high proportion of all flights, both domestic and international, fly over the south east of England, and the CCF will smooth those traffic flows.

The CAA is already considering the extension of CCF-type systems to the north of England and the Scottish Lowlands to meet the special needs of those areas and their predicted traffic growth. Elsewhere in the UK, a £3m ATC improvement programme has been inaugurated at Birmingham International Airport (where a £60m second terminal has become operational this summer, raising the airport's capacity to more than 6m passengers a year).

Also part of the CAA's £750m expansion programme is the construction of a £200m en-route air traffic control centre near Fareham in Hampshire.

Due to become operational in 1995, this centre with about 800 staff will manage all en-route flights over England and Wales, complementing the CCF operations at the London Air Traffic Control Centre.

Looking even further ahead, well into the next century, the CAA is increasing its wide-ranging programme of research and development to examine and identify the benefits likely to arise from a combination of improved operational procedures and technological developments.

For the longer term, other new developments promise to help air traffic control systems worldwide to cope with the upsurge in traffic. One development to which increasing attention is now being paid is the use of satellite communications for aircraft, under a system developed by the International Maritime Satellite Organisation (Inmarsat).

While much emphasis has been placed upon the use of "Satcoms" for provision of in-flight telephones and fax machines for the use of passengers in aircraft cabins, such uses pale into insignificance compared with the advantages that "Satcoms" can bring to air traffic services.

Mr Oluf Lundberg, director-general of Inmarsat, said in Paris earlier this summer that those responsible for aeronautical safety were now convinced that satellites were the real key to the future development of effective air traffic services. The combined technologies of mobile communications satellites and global navigational satellite systems provided the raw materials with which to build air traffic control services systems for the next century.

Mr Lundberg said that the International Civil Aviation Organisation (ICAO – the aviation technical agency of the UN), and its Future Air Navigation Systems (Fans II), Committee, was pushing hard to develop system concepts and to secure international acceptance for specific satellite-based air traffic service plans.

Dr S. S. Sidhu, the ICAO secretary-general, believes that the Fans committee will have "the same impact on aviation as the introduction of the jet aircraft in the 1950s."

This coming September, at a big air navigation conference sponsored by ICAO, the Fans committee will be discussing with ICAO member states an overall plan for the introduction of satellite-based communications, navigation and surveillance systems, to become available worldwide before the end of the century.

The following decade is expected to see a gradual phasing out of ground-based systems with the aim of replacing them completely by the year 2010.

BUSINESS AIR TRAVEL 7

Paul Betts reports on the commercial aircraft industry

Programmes reflect trend towards larger airliners

AT the Toulouse headquarters of Airbus in south-west France, the European consortium has begun assembling the latest member of its expanding family of airliners: the A340 four-engine long-range jet.

The new airliner, the biggest to be built by Airbus, will fly for the first time in October. Its sister aircraft, the twin-engined A330, will also be assembled in the huge new facility built by Aerospatiale, the French Airbus partner, at the Toulouse complex.

On the other side of the Atlantic, Boeing, the world's largest manufacturer of commercial jets and principal rival of Airbus, is also preparing for production of its latest airliner programme, the 777, the twin-engined wide-bodied competitor of the A330.

Larger capacity aircraft are expected to account for about half of the world airliner market by the turn of the century

At Long Beach in California, McDonnell Douglas is already delivering to airline customers its latest wide-bodied jet, the three-engined MD11 and is working on a stretched version of this aircraft called the MD12X.

All these competing programmes reflect the evolving long-term trend in commercial aviation towards larger capacity aircraft, which are expected to account for about half of the world airliner market by the turn of the century.

In its latest forecast for the world commercial aircraft industry, Boeing expects larger jets to dominate the market with nearly 85 per cent of new aircraft delivered to airlines between 1996 and 2005 having 170 seats or more.

The trend towards bigger wide-bodied aircraft has been largely dictated by the demands of airlines for roomier and more economically efficient airliners and the need to resolve the growing problems of air traffic and airport congestion threatening to undermine the steady long-term growth of air travel demand.

Although airlines and aircraft manufacturers have been badly hit this year by the combination of the economic recession and the effects of the Gulf war on air travel, both remain fundamentally optimistic about the sustained long-term growth prospects of air travel. This is expected to average 5-6 per cent over the next 10 years despite a sharp dip this year following the industry's particularly deep cyclical slump, exacerbated by events in the Middle East.

However, airline executives and manufacturers have warned that inadequate investments in new airport infrastructure threatens to clip the wings of air transport growth. Congestion at busy international airports has already started building up again with the gradual recovery in air travel since the Gulf war.

Air traffic control delays have also continued to cause serious disruptions, although the industry believes air traffic control problems can be more easily resolved than the developing congestion crisis on the ground at many airports in Europe, the US and increasingly in the fast-growing Asia-Pacific air travel market.

Bigger capacity aircraft are one solution to beating the airport congestion crisis. But airliners have also sought to improve the overall comfort of their high-yielding first class and business class cabins by turning to the new generation of wide-bodied aircraft. Business air travel surveys have repeatedly shown that punctuality and leg-room are among the most persistent demands of business travellers.

They are also showing increasing interest in very high capacity aircraft capable of seating 600 or more passengers

The other growing demand is for non-stop services. In the long distance market, airlines have been turning to wide-bodied twin-engined aircraft with the range capabilities and cabin spaciousness to enable them to operate profitable direct services between two destinations which could not sustain a full Boeing 747 jumbo operation. US carriers have successfully used twin-engined wide-bodied jets such as the Boeing 767 extended-range aircraft to develop direct non-stop links between cities such as Pittsburg or Dallas to European destinations.

Airlines are now looking at the new wide-bodied aircraft such as the 777 or the A330 to provide either more seating capacity for busy short- to medium-range routes or, in their extended range versions, for non-stop international services.

They are also showing increasing interest in very high capacity aircraft capable of seating 600 or more passengers. Indeed, this appears to be the next big challenge for aircraft manufacturers.

Airbus is already talking about developing a 600- 700-seater A350 jumbo to challenge Boeing's dominance of the jumbo market with its 747 airliners. "The ultra high capacity aircraft is the next possible big investment by Airbus," Mr Stuart Iddles, the European group's head of sales, said at the recent Paris Air Show.

Manufacturers are continuing to study the development of a new supersonic passenger aircraft to replace Concorde

"Although the product itself belongs to the long term, our short term includes the process of clarifying our thinking and our medium term could well see increasing attention to it," he added.

Mr Jean Pierson, the Airbus managing director, said the European consortium was now defining with a number of selected customers the potential for such an aircraft. He suggested a launch decision could be expected in 1997 for the new jumbo to enter airline operations in 2002.

Boeing, which has been concentrating its attention on its new 777, has also started studying the possibility of building an even larger 747.

"In addition to the 777 family of airplanes, Boeing market analyses indicate an evolving need for subsonic airplanes larger than the 747-400 (the latest member of the 747 family)", said Mr Philip Condit, a Boeing executive vice-president, at the Paris Air Show last June.

"On some heavily travelled long-range routes, a number of airlines today fly two 747s departing within one to four hours of each other. It is likely that the market will require a 600-seat, or larger airplane by the year 2005 and maybe earlier," he added.

Mr Condit said Boeing was talking to customers and looking at a variety of options to meet these future demands for a super jumbo. "Possibilities include a stretched 747-400, a 747 with a full-length upper deck and an all-new large airplane," he said.

Although the longer term emphasis is on larger aircraft, manufacturers are also working on several new, smaller, narrow-bodied aircraft developments.

The regional and commuter airline market is expected to expand over the next decade, providing feeder services to expanding international airline hubs in the US, Europe and Asia/Pacific.

Airlines will also face an increasing need to replace their older generation narrow-bodied aircraft with new airliners meeting more stringent new noise and other environmental requirements. All current forecasts envisage a very high level of retirements of older narrow-bodied aircraft in the early 1990s, with perhaps as many as 1,000-1,200 aircraft being retired over the next two to three years.

Manufacturers are also continuing to study the development of a new supersonic passenger aircraft to replace Concorde in the next century. This, however, is expected to be a broad co-operation venture between all leading airframe and aero-engine makers because the market is unlikely to sustain more than one project.

A supersonic commercial transport international co-operation study group has already been established to look into the environmental, business and technical issues of developing a new supersonic airliner. The group includes all the leading aircraft manufacturers.

The key to success of this programme, according to Boeing's Mr Condit, is that "it be environmentally successful, technically feasible and economically viable."

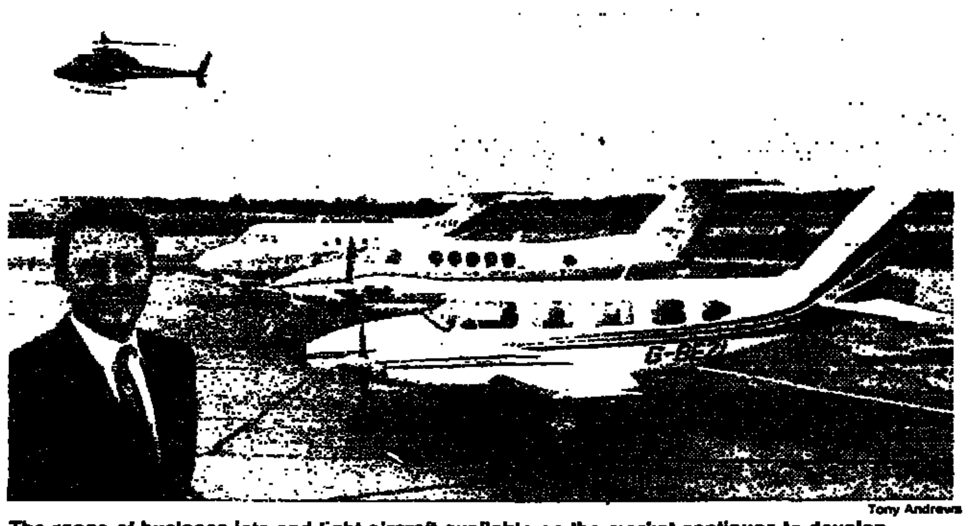
He said the programme goals involved the introduction of a new supersonic aircraft by around the year 2005. It would travel at a speed of Mach 2.4 with an initial range of 5,000 nautical miles growing to 6,500 nautical miles, carry 250-300 passengers, and operate with fares similar or very close to subsonic aircraft fare levels.

■ BUSINESS JETS

Sales rise after Gulf war

THE Gulf war may yet prove to have been a blessing in disguise for the makers of fast, long-range business jets.

After a lag in sales – resulting not just from Middle East tension late but from economic recession in the US, the chief corporate-aircraft market – business has picked up strongly. Canadair, of Montreal, even suggests that one of the factors arousing companies' interest in owning their own air transport is the need to ensure security for executives in a climate of potential terrorism.



Tony Andrews

The range of business jets and light aircraft available on the market continues to develop. Air London chairman Anthony Mack with some of the transport his company offers

Canadair is part of Bombardier of Canada, a group of companies involved in transport equipment and aerospace. In Northern Ireland, Bombardier owns Short Brothers, a commuter airliner manufacturer, and in the US, Learjet, a name that has been virtually synonymous with the executive jet since the first Learjet flew in the early 1960s.

Bombardier offers a wider range of executive aircraft than any other company. At the top of that range is Canadair's Challenger 601-3A which derives from a design by the late Bill Lear who was the driving force behind the original Learjet.

The Canadian company is challenging the two longest-established manufacturers of expensive, sophisticated, high-performance business jets: Gulfstream of the US and Dassault of France.

Gulfstream has the top of the market and the company has been working since 1988 with the Sukhoi design bureau of the Soviet Union to develop a supersonic business jet.

Gulfstream is also top in price. Current prices being mentioned for the G-IV are in the \$25m-\$26m bracket, compared with \$22m-\$23m for a Falcon 900 and \$16m-\$17m for a Challenger. One comment made by executives of the Bombardier companies is that for the price of a G-IV, a company could buy a Challenger and a Learjet as well.

That philosophy seems to be borne out by experience in the marketplace. Canadair is producing between two and 2¼ Challengers a month; it sold 27 aircraft in the 1990-91 fiscal year, its best result yet. After a downturn coinciding with the Gulf crisis, Canadair won eight orders in the 30 days leading up to the Paris air show in June.

Dassault also encountered some reluctance on the part of prospective buyers at the time of the Gulf war, but sold four aircraft in April and May, shortly after hostilities ended. The company does not break down sales by model but says that combined sales of the Falcon 900 and Falcon 50 – a smaller, shorter-range trijet – reached 32 during calendar 1990.

On those figures, Gulfstream is still well up with the field. It sold 32 G-IVs in calendar 1990. The company comments: "We ended last year with the best profitability in the history of the company."

The figures compare with 30 aircraft sold in 1989 and 49 in 1988. But Gulfstream spent 1988 clearing a \$1.5bn backlog of orders.

Performance and size are Gulfstream's selling points.

Experience gained from military jets is feeding into the design of the supersonic business aircraft

The company notes that its aircraft have had trans-Pacific range since the G-III, the predecessor to the G-IV. Canadair emphasises its price advantage.

Dassault, by contrast, emphasises the safety advantages of its three-engine configuration and what it says is the Falcon 900's less thirsty fuel consumption than the G-IV's. The 900, the company says, is also popular with its pilots.

Certainly Dassault has the advantage of the technology developed out of many years' experience in building high-performance jets for the military. Its Mirage series of fighters date back to the early 1960s and the type has sold in large numbers to air forces all over the world.

Much the same can be said of Sukhoi, Gulfstream's Soviet partner in the supersonic project. Sukhoi factories build the formidable Su 24 Fencer deep-penetration fighter-bomber and the Su 27 Flanker high-performance fighter.

Technology and experience gained from such fast jets is now feeding back into the design of the supersonic business aircraft. Significantly, present planning calls for Sukhoi to build the basic aircraft, then for Gulfstream to kit them out in the US with electronics, interiors and paint.

Demands on advanced technology do not stop with the airframe. The SSBJ – supersonic business jet – will need engines more advanced than any that are yet flying. That is a task being addressed by Rolls-Royce of the UK in partnership with Lyulka, a Soviet design bureau that has produced powerplants for many high-performance military jets.

Rolls-Royce and Lyulka are this summer completing the first study phase for the SSBJ engine. Topics that have been agreed cover which company will have responsibility for which aspects of development, and the nature of the engine itself.

It will be, Rolls-Royce says, a dual-cycle engine: subsonically the device must operate as a bypass engine – in which most of the power is provided by cold air passing through a forward fan and outside the engine "core" of high-pressure turbine and combustion chamber – and, for cruise at Mach 2, must revert to functioning as a pure jet, with power provided chiefly from the core.

Gulfstream has announced plans to have a "proof-of-concept" aircraft flying in Moscow in 1994. Rolls-Royce says: "We would be looking to meet that timescale." In terms of the engine core, the company says, the technology exists already and the basis of the engine is likely to derive from the tried, tested and widely operated RB211 family of turbofans. Yet much work remains to be done.

Dassault remains non-committal on the subject of SSBJs. In common with other manufacturers, it is considering building such an aircraft, and comments: "We have a permanent level of brain activity" concerned with the matter. Even so, Dassault cautions: "The economics of the [Gulfstream-Sukhoi] project are not entirely clear."

British Aerospace, which has about 30 years' experience of building and selling a mid-size business jet, the successful BAe 125 series, is also cautious on the matter of SSBJs. "We have a watching brief," the company remarks.

BAe's most active project is its 1000 model, the latest – and probably last – derivative of the 125 line. Its next step will be what it terms an NBJ: new business jet. How the NBJ will turn out has not yet been decided, the company says, but the aircraft, planned to fly in the late 1990s, is likely to be bigger and to have longer range than the 125s. "Trans-Pacific," BAe says, "is the one everyone is looking at."

A trans-Pacific design from BAe would bring the company into direct competition with Gulfstream and Dassault.

David Boggis

BUSINESS AIR TRAVEL 8

■ EXPENSE MANAGEMENT

Facing up to key questions

WHEN many companies adopted a blanket ban on business air travel during the Gulf war because of fears of international terrorism, it was widely assumed that when it was perceived safe to fly again they would return to their former travel habits.

But experience since then has shown this not to be so. A number of companies, according to business travel agents, have taken the opportunity in the post-war recessionary environment to think again about their whole travel commitments.

Do executives really need to fly to that meeting – or could they get as much information from fax or conference phone? And if they do fly, do they really need to travel first or business class?

It has taken a war and recession in the UK and US to enable corporate travel departments to face up to these key questions. A new survey of 150 top UK companies from American Express, for example, shows that since the war ended 68 per cent have decided to economise on travel and entertainment spending. Two thirds, moreover, are downgrading their staff when travelling.

"Clearly the recession has taken its toll on travel and entertainment spending in recent months," comments Mr John Petersen, vice-president for Amex's travel management services division.

According to the survey, 43 per cent of companies which are economising are reducing the number of travel trips and looking at alternatives to travel. Fax was the most popular alternative (56 per cent), followed by telephone (41 per cent), and 12 per cent opted for teleconferencing.

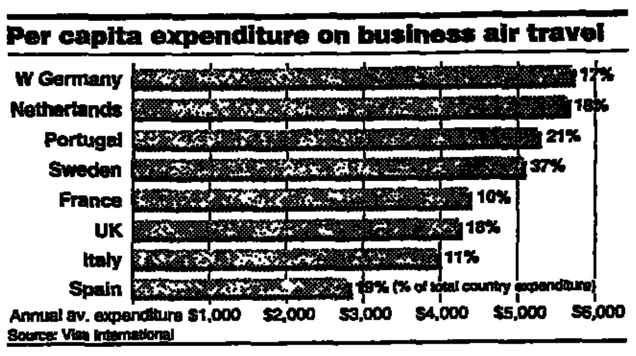
British companies spend some £22bn a year on business travel and entertainment – and their US counterparts about 20 times more – but surveys have consistently shown that, especially in the UK, most companies pay only lip-service to managing business travel costs.

"Our survey shows that at last companies are having to take travel and entertainment more seriously, realising that the key to their future success is the monitoring and control of what has become a significant part of their cost base," says Mr Petersen.

It is this growing realisation that better business travel management can pay dividends that has spurred on charge card companies such as American Express and travel agencies including Pickfords, Thomas Cook, and Hogg Robinson, to develop sophisticated charge card control systems aimed at business users.

Joining this clutch of companies recently has been a joint venture between British Airways and Diners Club to launch a Corporate Card for business travellers. For BA, the card replaces its involvement in the AirPlus scheme – an international consortium which never quite fulfilled its promise of making life easier for the frequent flyer.

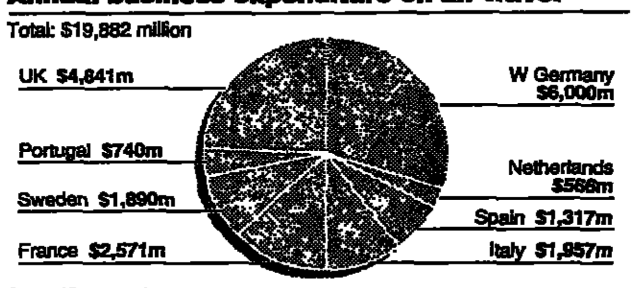
Per capita expenditure on business air travel



Source: Visa International

Annual business expenditure on air travel

Total: $19,882 million



Source: Visa International

The new BA/Diners Card is aimed particularly at frequent flyers with the airline. It will be valid at the 2m outlets around the world wide who already accept Diners Club cards as well as providing other benefits, such as special deals with BA partnership hotels and savings of up to 50 per cent with Hertz car rental.

Two schemes aimed at business travellers are offered: corporate cards co-branded with another operator – such as Pickfords – are available to company business travellers; and "lodged" accounts will be created for companies who spend in excess of £25,000 through their travel agent.

The new card will also be accepted by BA's TimeSaver ticket machines at all the airline's UK Super Shuttle airports. Mr Liam Strong, BA's director of marketing and operations, says that the card offers the "individual traveller, travel agent, company administrator and decision-maker a comprehensive air and travel service."

The BA/Diners card mainly offers a greater control over spending patterns – as do the Amex, Thomas Cook and other travel card systems already. The card systems provide detailed analysis of what was spent as well as where and when, with the benefit of reducing administration costs by cutting the number of invoices and the amount of cash in hand often taken by travellers.

American Express's last big survey of corporate accounting of business travel costs – as distinct from its update just published of how companies are coping post-war – found that two thirds of big companies complained of incomplete documentation and late expense report submission by their travelling executives.

One area it identified of improving travel management costs was feedback from suppliers. Only 28 per cent of the 400 leading UK companies it surveyed received any feedback from suppliers of business travel, mainly in the simplistic form of ticket details and flight costings.

The initial step in any travel expense system is to identify exactly what costs are being incurred. Direct costs are those which can easily be identified – such as airline tickets, hotel bills and car hire. But there are also hidden costs such as cash advances, chasing up overdue expense claims, and cheque processing.

The position is often made worse by the fact that several different people may have responsibility for travel plans – ranging from the secretary who books hotels through to the executive drawing foreign currency from the company cashier and then claiming expenses on his or her return.

One problem with tighter control of business travel costs, however, remains the impact on the executives themselves. Over-keen company accountants who insist on economy-only flights, for example, may look good on paper. But in reality, tired executives may do more harm for their company's prospects than any potential savings from cheap air fares.

"Business travel is sometimes perceived as glamorous," points out Mr Christopher Rodrigues, chief operating officer for Thomas Cook. "In reality it's tiring, stressful and can be extremely expensive. Our corporate card is aimed at ensuring flexibility while removing worry about having sufficient funds in appropriate currencies."

The enforcement of an effective travel and entertainment expense system, therefore, has more to do with efficient accounting and administration than with heavy-handed restrictions on employees' activities which more often than not are counter-productive.

David Churchill

■ INCENTIVES AND EXTRAS

Down-to-earth benefits are well worth considering

FOR VALUE for money, you need to look beyond the width of your seat when you book an airline ticket. Airlines are eager to do business and offer a plethora of added benefits for use even before you set foot on the aircraft.

Separate check-in for first-class and business-class passengers, together with priority baggage (although that often does not work) and private airport lounges are more-or-less standard from the major airlines.

It is worth checking whether there are such offers as complimentary chauffeur-drive to and from the airport, heavily discounted (or sometimes free) hotel accommodation, cheap car hire packages, discounts on leisure facilities and, the best benefit of all, free airline tickets.

Two airlines, Virgin Atlantic and Emirates, offer generous packages in the form of a free economy-class return ticket when you buy a business-class return ticket.

Emirates, the Dubai-based airline of the UAE, offers passengers buying a return London-Dubai ticket in the UK a free economy class ticket that is valid for one year and fully transferable.

Among the airlines which provide a free chauffeur drive facility, Continental, Canadian Airlines International and Cathay Pacific offer it only from the UK end, whereas Emirates also offers it throughout the UAE.

Singapore Airlines (at Manchester only), Virgin, Qantas (including some provincial airports for passengers with connecting British Midland flights to Heathrow), American Airlines (at five US airports only), Air India (first class passengers only in the UK, India and New York), Varig, Viasa and All Nippon Airways all offer this service.

Check with the airline whether the service is either to or from the airport at one or both ends of the route.

Often the offer is limited to a 50-mile radius but Canadian Airlines International extends it up to 80 miles, while Virgin Atlantic goes one step further and provides the transfer from any UK mainland point.

German flag carrier Lufthansa eases the journey to and from the airport throughout Germany, by providing a very efficient Airport Express rail service which runs at 200kph between Dusseldorf, Stuttgart, Cologne, Bonn and the airline's hub at Frankfurt.

Benefits include valet parking at Heathrow with preferential rates covering collection, delivery and off-airport parking

It is free to any Lufthansa passenger and allows you to check in your baggage as soon as you board the train: the baggage is then transported direct to the flight.

Japan Airlines offers free parking at Heathrow for up to seven days, free printing of Japanese/English business cards, free use of the executive service centre at Tokyo's Imperial Hotel and also reservations for the Narita Express to its first-classand business-class passengers.

Another Japanese-owned airline, All Nippon Airways, which recently upgraded its business class (called Club ANA) also offers discounts at its own hotels and at those of Hilton International, Hyatt, Marriott, Concord and Four Seasons.

Fly first or business class to Asia, Australia or New Zealand with Qantas, the Australian flag carrier, from the UK and you will receive a Business Connections card valid for 12 months.

The benefits include valet parking at Heathrow with preferential seven-day and 14-day rates covering collection, delivery and off-airport parking as well as a car-wash, if needed.

If you are Australia-bound, there are discounts on chauffeur-driven transfers from the arrival airport to your destination.

Car hirer Avis offers a discount of between 15 and 20 per cent, and there are discounts at five international hotel chains – Hyatt, Omni, Mandarin Oriental, Sheraton and Regent – as well as room upgrades, free gifts and complimentary breakfast.

And you may be able to play golf for some 20 per cent less cost in Australia.

A newcomer to Heathrow, American Airlines (it already operates from Manchester and Glasgow) offers Private Connection, a freephone help service for its passengers in the US to call anyone from a lawyer to a translator, doctor or restaurateur.

Most airlines offer the best savings at their home base where they generally have the most purchasing power.

It also offers first-class, business-class and full-fare economy passengers an Executive Shortstay programme which allows them to spend their first night free in a Sheraton hotel at their point of entry to the US. That offer is valid until December 31. There are also car-hire deals with Hertz.

Business-class passengers on Air France are entitled to discounts for hotels, car hire and business facilities.

At any Meridien hotel there will be no extra charge if you check in before midday. You will also receive the best room in the category.

At any InterContinental hotel you will benefit from expedited check-in and check-out, priority reservation and no charge if you choose to stay in your room on the day of check-out until 6pm.

Those first-class and business-class passengers of Cathay Pacific with hand baggage only can use a telephone check-in

At InterContinental and any Relais & Chateau hotel you will be booked into the best room in the category.

Air France passengers also qualify for 25 per cent off Hertz car hire rates in Europe and 10 per cent off in 60 countries.

Also, there is a 10 per cent discount off the cost of using the business centre at Charles de Gaulle airport, called 2A, and there is also an 8 per cent discount worldwide off any services at Multiburo business centres.

First-class and business-class passengers of Cathay Pacific, with hand baggage only, can use a telephone check-in system before they arrive at the airport, which provides a seat allocation. Then it only remains for them to arrive 30 to 45 minutes before departure to collect their passes before boarding.

The airline already provides two City Check offices in Hong Kong – one in Kowloon, the other on Hong Kong Island – which allows full check-in (ie seat allocation and the issuing of boarding passes) for passengers checking in at least three hours before departure or the previous day.

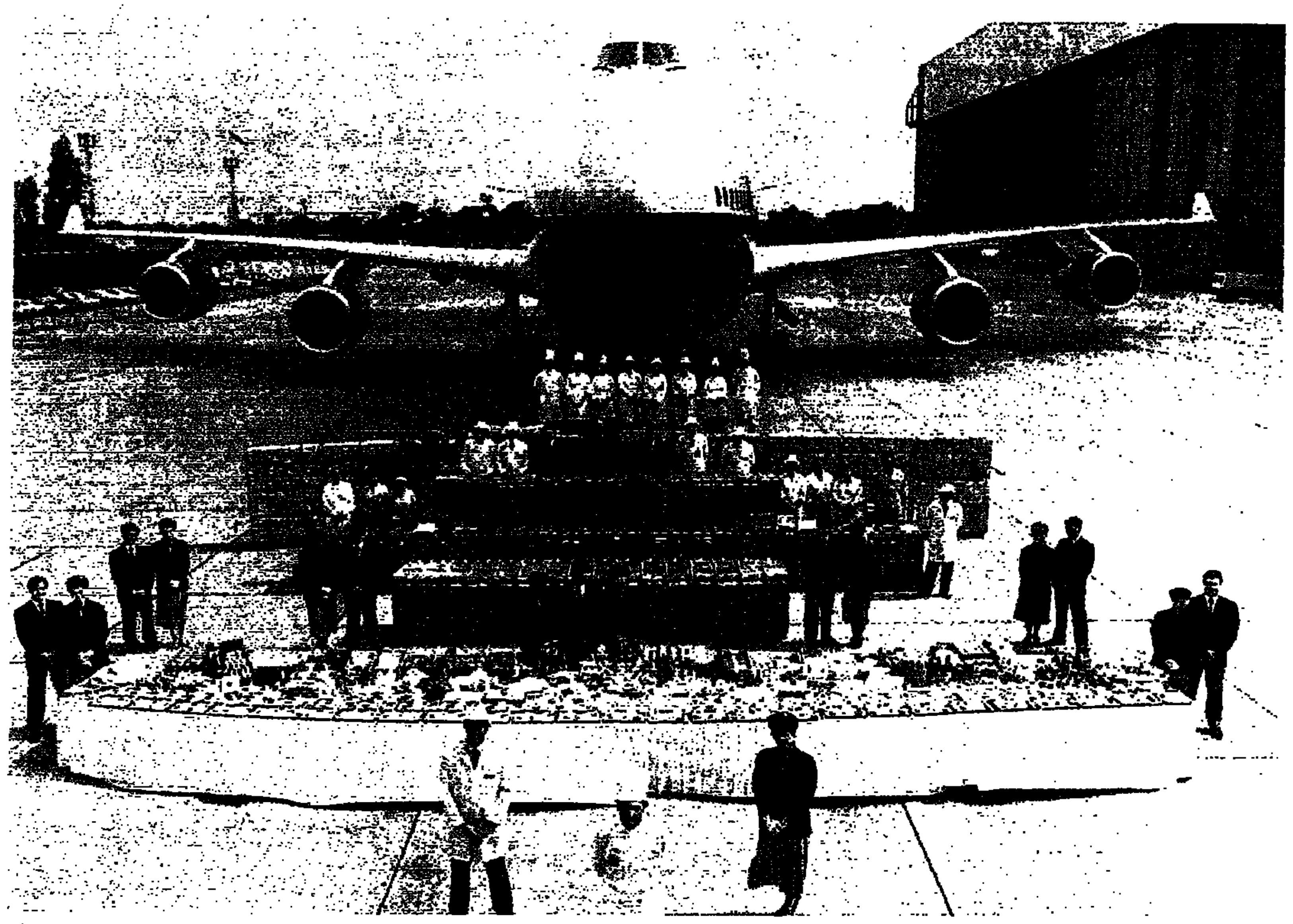
Cathay offers discounts at 47 hotels throughout its network, embracing Australasia, Europe, North America and Africa under a Stay-A-While programme. Prices start at £87 per person sharing a twin room in Hong Kong. Breakfast, room tax/service charge and sometimes two-way airport transfer are included.

At London's Churchill Hotel, Cathay passengers can stay for £79 a night or at the Holiday Inn Crowne Plaza in Manchester for even less: at £65 a night.

Remember that most airlines offer the best savings at their home base where they generally have the most purchasing power. This is where you are likely to have access to a spacious private lounge and similar amenities.

For example, Singapore Airlines' Singapore Stopover Holidays scheme offers unbeatable prices at hotels on the tiny island state and provides passengers having to kill time at Changi's new Terminal 2 with a mega-size lounge which can cope with 300 people and offers a business centre – plus showers for departing and transit passengers.

Gill Upton
Editor, Business Traveller



A Boeing 747-400 long-range airliner, the most modern of the jumbo jets, with the catering staff and cabin crew needed to keep 350-plus passengers content on an 11-hour non-stop flight. The aircraft usually loads some 34,000 items of stores weighing about 15,000lb – everything from caviare and champagne to babies nappies – for every flight. Nineteen cabin crew are usually needed although the high-tech airliner will have only two pilots

Glyn Genin

David Boggis on competitive manufacturers

Threat to depose King Air

THE typical business aircraft is not a sporty, fighter-like twin-jet from Lear in Wichita, Kansas, or a majestic "airborne boardroom" that will cost you upwards of $25m from Gulfstream in Savannah, Georgia.

It is a smallish, almost portly device that trundles along a taxiway on three stalky undercarriage legs and gets into the air on two modest turbine engines, driving basically the same piece of engineering that got the Wright brothers off the ground in 1903 – propellers.

It goes by the name of King Air. The maker is Beechcraft – generally known as Beech – an old-established US aircraft company dating from before the Second World War.

Beech estimates that it has close on 4,000 King Airs in service worldwide. The dedicated business aircraft type that comes closest to that in numbers is the Cessna Citation range of twin-jets, with no more than about 1,700 flying.

The market for aircraft in the King Air's performance bracket is now under attack from several directions as different business aircraft builders seek to compete. Part of the challenge comes from twin-jet types, but the latest competitor is a Swiss company called Pilatus, which hopes to offer cost savings by achieving King Air performance on one turboprop engine instead of two.

The King Air range comprises three basic models. All are powered by variants of the Pratt & Whitney PT6 turboprop, an engine considered in the industry to be "mature": thousands of PT6s are in service worldwide. The engine has been in operation for many years and is regarded as tough and reliable.

The King Air C90A will carry five occupants – crew included – with baggage, slightly more than 1,000 nautical miles at speeds of about 240 knots. The B200 will cover 1,500 nautical miles at 280 knots. The top-of-the-range 350 is bigger and can take 11 occupants 1,400 nautical miles, cruising at roughly 300 knots.

Inside, the C90A conveys an impression of space. Air Hanson, a company that markets Beech aircraft at Blackbushe airport, Camberley, Surrey, says noise levels in flight are low, and emphasises the solidity and reliability of Beech engineering.

The competition from business jets comes from manufacturers building what they term an "entry-level" aircraft – your company's first jet. The latest challenger is a small, six-place aircraft powered by two Williams/Rolls-Royce FJ44 turbofans, built by Swearingen in San Antonio, Texas, and called the SJ30.

Swearingen's manufacturing experience is in its Merlin business aircraft and Metro commuter, both twin-turboprop types. Mr Les Anderson, the company's vice-president, marketing, points out that the Merlin was a competitor for the King Air long before the SJ30 was designed.

He maintains that the SJ30 is competitive with the King Air not only on performance – with the jet able to carry four passengers 2,400 miles – but on price. Swearingen promises a price of about $2.6m against $3.2m for a B200, and says that because the FJ44s develop only 18,000 thrust – against 30,000 for other typical business jet powerplants – it is also cheap to operate.

'Nobody enjoys having that prop out there, beating away and making noise' says Mr Anderson

Swearingen's sales point is technology. An advanced wing achieves cruise of 445 knots and high-lift devices enable the SJ30 to operate from the same size runways as the turboprop. The aircraft is to be cleared to be flown by one pilot, not two.

"Today", Mr Anderson says, "it is cheaper to build a jet than a turboprop." With no reduction gear to slow down a propeller drive shaft, a small turbofan is lighter and simpler. Even a jet's undercarriage can be lighter, as there is no further need to hoist the aircraft high enough to keep the propeller off the ground.

Market surveys, moreover, indicate customer preference for jets. With a crusader's conviction, Mr Anderson says: "Nobody enjoys having that prop out there, beating away and making noise."

A prototype SJ30 first flew in February. The company is reticent about its order book, but insists that the potential market is substantial.

Cessna has been in the market for entry-level twin-jets since 1969 with its Citations. Its latest model is the CitationJet, which first flew on April 29 and has since accumulated about 75 hours of test flying.

Already about 100 of the type have been ordered. Mr Dean Humphrey, the company's director of public relations, says: "We think a lot of the prospects [for orders] for the CitationJet will come out of the turboprop owners' ranks."

The Cessna uses the same FJ44 engine as the Swearingen, combined with a new-technology wing enabling the aircraft to operate cheaply cruising at 380 knots at 41,000 feet. The company expects to deliver the CitationJet for $2.8m.

Pilatus, in Switzerland, says it can undercut the King Air on purchase price and operating costs by offering nearly the same performance with one engine instead of two. The engine in the PC12, Pilatus's contender in the market, is a variant of the King Air's PT6 rated at 1,200lb shaft horsepower (the industry's measurement of turboprop power). The PT6s on the King Air B200 each develop 850 shaft horsepower.

The PC12 first flew on May 31, and the company expects it to cruise at 268 knots at 25,000 feet, carrying up to nine passengers over a range of 1,600 nautical miles.

The company says its sales potential is 600 to 1,100 aircraft over 15 to 20 years. Some of those sales, according to Mr Larry Bardon, director for PC12 product management, have already come from twin-turboprop operators.

Mr Bardon does not recommend the aircraft, with its single engine, for long stretches over water, but points to its attractions of simplicity compared with twins. The PC12 is proving popular with company executives who pilot themselves.

Beech stands firmly in support of the King Air and has no intention of ending its production in the foreseeable future. It expects to build – and sell – 110 of them this year.

It sees no real threat from the jets. Mr Mike Potts, the company's public relations manager, observes: "It's the difference between a station wagon and a sports car."

As to disparaging comments on the Beech aircraft's 20-year-old technology, he notes: "We have a pretty substantial track record." Of the PC12, he says: "A lot of people have taken aim at the King Air market."

Beech is unfazed. There seems little doubt that the aviation world will still be seeing a lot of the King Air for some years to come.

Richard Tomkins examines Europe's developing rail network

High-speed train challenge

IT IS the very image of the man in a hurry: the executive stepping aboard an aircraft for a quick flight to that urgent business meeting in the capital of a neighbouring country.

By the turn of the century, however, that image could be looking out of date. Increasingly in Europe, air travel seems likely to be displaced by the "plane on rails" – the high-speed train – as the main mode of transport for short-haul journeys between big cities.

High-speed rail travel is not a new concept. Engineers have striven to increase train speeds ever since railways started to spread across Europe early in the last century. As long ago as 1938, the London and North Eastern Railway in Britain notched up an impressive 126mph with the locomotive Mallard, setting a world record for steam engines which stands today.

War-time damage and lack of maintenance largely halted the process of acceleration in the 1950s. But in 1964 came the event which heralded a new era for rail: the launch of the Tokaido Shinkansen – or "bullet train", as it was dubbed in the west – between Tokyo and Osaka in Japan.

By today's standards, the shinkansen was not particularly fast. Although it ran on purpose-built tracks, its top speed of 130mph barely exceeded the 126 mph which Mallard had achieved on Britain's east coast main line 26 years earlier, and is less than the 140 mph which British Rail electric trains now achieve on the same conventional tracks.

But the significance of the shinkansen was that by reducing the Tokyo-Osaka journey time to less than 3 hours for the 340-mile trip, it undercut the centre-to-centre journey times available by air transport and captured more than half the airborne traffic between the two cities.

It has taken nearly 20 years for the west to follow the Japanese example. But in September 1983, SNCF, the French national railway, inaugurated Europe's first high-speed train – the 168mph Train a Grande Vitesse (TGV) – on a purpose-built line stretching the 267 miles from Paris to Lyon.

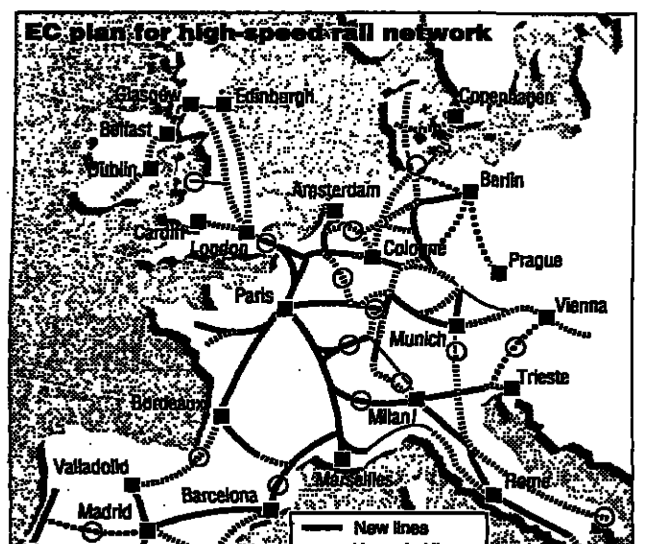
Now, high-speed railways are spreading across Europe almost as rapidly as conventional railways did in the last century. France is well advanced on a massive, and still faster, TGV network which will link Paris with virtually every big city in the country; Germany has just opened the first lines of its 175mph IC-Express network; Spain has started on a high-speed system with a line from Madrid to Seville; and the Netherlands, Belgium, Denmark and Italy are at various stages of high-speed rail projects.

Of course, competition has long existed between rail and air transport. The difference the high-speed train makes is to lengthen the range of rail's competitiveness to about 300 miles – as was seen when the opening of the Paris-Lyon TGV brought a collapse in the air travel market between the two cities.

In Europe, therefore, where many small countries are huddled together, high-speed rail is emerging as an alternative to air travel not only within a country's borders, but to destinations in neighbouring countries too.

This is something which the European Commission is keen to encourage. Air transport, after all, is facing acute problems of congestion: flights, air corridors and airports are already facing severe capacity constraints, yet recent forecasts suggest that air traffic could double within the next decade.

EC plan for high-speed rail network



Yet the threat to the airlines is real. If this was ever in doubt, it became evident when the railways started building stations for their high-speed trains at airports – for example, at Charles de Gaulle in Paris on the line linking the TGV-Nord with the TGV-Sud, and in the Netherlands where the Dutch are planning a station at Schipol on the London-Paris-Amsterdam line.

The clear intention of this strategy is not just to oust air travel on short-haul routes within the EC, but also to capture the airline's inter-line traffic by luring long-distance air travellers at big airports and putting them onto rail for the initial or final legs of their journeys.

One airline which appears to have seen the writing on the wall is Lufthansa, the German national airline. In 1982, it entered a joint venture with DB, the German national railway, to provide the Lufthansa Airport Express between Dusseldorf and Frankfurt airports as an alternative to its own short-haul domestic flights. The success of that venture led to the launch of a second express between Frankfurt and Stuttgart last year.

Over the next few years, moves initiated by the EC to liberalise and deregulate Europe's state-owned railways will greatly open up the opportunities for private sector operators to run trains over EC tracks. Lufthansa may not, therefore, be the last airline to decide that if it cannot beat the railways in the skies, it will have to try to do so on the ground.

The obstacle that lies in the way of diverting more of this traffic growth to rail, however, is the fact that each country's rail network has evolved as a separate national entity, with few attempts to bind the parts into a greater whole.

Perhaps the worst example of this is the way in which jealousies between the French and German national railways has led to their failure to liaise over the development of their high-speed railways – with the result that technical incompatibilities prevent each other's trains from running over on each other's systems.

The EC wants to bridge the gaps by integrating the separate high-speed railways into a European network. Last year, EC transport ministers made some progress towards this objective by adopting a framework plan for a high-speed system embracing about 6,000 miles of new lines and 9,000 miles of upgraded lines.

They also asked the Commission to look at ways of achieving technical harmonisation between the railways and plugging gaps in the system such as the missing link in Britain between London and the Channel tunnel.

Considerable obstacles lie in the way of achieving this objective. Estimated costs of providing the infrastructure and rolling stock for the planned network are put at £100bn. Such expenditure will represent an enormous strain on the budgets of member states.

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Looming problems may require fresh thinking and radical solutions, writes **Michael Donne**

Iata focuses on need to tackle airport congestion

Glyn Genin

Worldwide, a total of $617bn is expected to be spent on nearly 9,000 new transport aircraft by the beginning of the next century. Iata wants more spent on infrastructure

THROUGHOUT the world, a *big* campaign is being conducted by the International Air Transport Association (Iata), representing 200 of the world's major airlines, to ensure that governments and other authorities are aware of the urgent need to improve the commercial air transport industry's infrastructure.

Despite the sharp downturn in traffic caused by the economic recession and the Gulf war, from which *a slow* recovery is now taking place,

Rapid growth will bring with it a resurgence of the problem of serious congestion

the overall long-term forecast is for world scheduled international air traffic to double by either the end of this decade or early in the next century from the present level of more than 1.1bn passengers a year to more than 2bn.

This rapid growth will bring with it a resurgence of the problem looming in the industry before the events of 1990-91: serious congestion arising from the inability of airport terminals, runways and the world's air traffic control systems to cope.

The Association of European *Airlines, which represents* 22 of the biggest airlines in western Europe, has already pointed out to the European Commission and governments that "air transport can only contribute effectively to European integration and *adequately satisfy* user requirements if Community policies ensure that the airline industry can conduct its business in a sound economic environment."

This means paying much more attention to, and *spending more money on*, the development of a sound and adequate infrastructure on the ground.

Early last year, Iata, in a special report on infrastructure needs, pointed out that before the *mid-nineties, 22 out of 46* international airports in Europe would run out of *runway capacity. Another* 11 airports would face similar problems between 1996 and *the year 2000* if no corrective measures were taken.

Moreover, the Iata report noted that congestion was already causing losses of some $5bn a year to the air transport and related industries and national economies in western Europe.

It said that this figure would rise to $10bn a year by the end of the century if nothing were done.

To help hammer that message home, Iata has created a special Air Transport *Action Group* (Atag).

The group includes among its members not only airlines but several aircraft manufacturers and other interested bodies, and they will press for aviation infrastructure improvements *on a worldwide basis.*

The Atag, headed by Mr John Meredith who has been seconded from British Airways for the task, says that while some airports have been able

Refurbishment, modernisation and expansion are already taking place at many airports

to upgrade and expand their facilities, the impending dramatic growth in traffic, lack of clear government policies, together with environmental constraints and shortage of finance, have all contributed to inadequate facilities for passengers and *shippers at many airports.*

It cannot be denied that much work is already under way *in many countries* – as many regular travellers already know to their cost and inconvenience.

Refurbishment, modernisation and expansion are taking place at many airports and it is estimated *that between now and the end* of this decade some $150bn is likely to be spent worldwide on maintaining and improving the infrastructure.

But it is the Atag's case that this is not likely to be enough – especially, for example, when set *against* the *$617bn* expected to be spent on nearly 9,000 new transport aircraft of all kinds by the early years of the next century.

Atag believes that governments should be urged to spend more and to speed the *pace of implementation of* existing and proposed development plans.

It has also declared that "aviation policies are frequently out of touch with the needs of the customers.

"Moreover... the notion that airlines alone should bear the costs of infrastructure improvements ignores the fact *that the community* as a whole gains substantial benefits from flourishing air services," it says.

In Britain, for example, while it is expected that planning application will soon be submitted for a big new *£1bn-plus* terminal at Heathrow, London, capable of handling another 20m passengers a year, *the* terminal will not be available until around the end of the century.

And that is after allowing *for the public planning* inquiry into its environmental and other consequences, and also allowing *for government* decision-making and construction time.

Similarly, although the UK government has a working party studying possible sites

Parallels can be found throughout not only western Europe but also the rest of the world

for a new runway for *south-east* England, a *decision* cannot be taken until after whatever proposal is made has *been subjected to public* planning procedures.

This means that such a runway, wherever it may be, will not be available until around the *turn of* the century, by which time the existing London airports infrastructure will be coming under severe strain.

This will be the case even *after allowing for the interim* development of a second large terminal at Stansted in Essex to increase that airport's capacity from about 8m passengers a year to about 15m and for steadily increasing use of the small *London City Airport in* Docklands.

The city airport's use may increase especially if approval is given to lengthen its runway to allow jet airliners to use that airport instead of the smaller turbo-props to *which it is* at present restricted.

In other parts of the UK, big new developments are already under way to ease the situation, with a second large terminal at Manchester and a new terminal at Birmingham, for example.

Parallels can be *found* throughout not only western Europe but also the rest of the world.

Atag's case is that it is never *too soon to start* thinking of new airport developments because, if left unchecked, "already unacceptably clogged airports and airways will grow more congested by the day".

Atag points out that very *often by the* time such new

It is reasonable to assume that even by the year 2020 there will be further demand for more facilities

developments become available it is already time to start thinking of further ones to cope with continued traffic growth.

Although no one can predict with certainty what future growth rates will be well into the next century, it is reasonable to assume *that* demand for air transport is not going to come to a standstill.

It is therefore also reasonable to assume that even by *the year 2020* there will be further demand for more terminal and runway facilities in the UK as a whole.

This demand may well have to be met by radical departures from existing conventions and ideas, instead of the *practice* hitherto employed of adding new terminals and runways to existing strained facilities with all the environmental consequences to surrounding communities.

There are many in the British air transport industry who *believe that a return to the* concept of a major offshore airport on reclaimed land in the south-east will be the only way of minimising the environmental problems and relieving pressures on existing land resources.

Those people also believe that such thinking should start now, so as to prepare the population at large for the necessity of putting such ideas into practice whenever the time comes.